FINANCIAL TIMES

Eastern Europe



Thilo Bode

Environment, Page 8



European issues

Mitterrand

World steel

Chief executives air their views

Granada raises takeover bid for Forte by £500m

UK leisure company Granada raised its hostile takeover bid for botel and restaurant group Forte by £500m to £3.74bn (\$5.75bn), increasing its chances of winning the fight. "This is the knockout blow," Granada chief executive Gerry Robinson said as he unveiled a package that included a special dividend of 47p to be paid out of Forte's reserves. Page 13; Lex. Page 12

Man killed in Sarajevo attack: A man was killed and several wounded when a rocket-propelled grenade was fired into a Sarajevo tram. It was the first killing since Nato peacekeepers were deployed in the Bosnian capital three weeks ago. Meanwhile US President Bill Clinton confirmed he would visit American troops in Bosnia for three days from Friday. Bildt 'working on a shoestring', Page 2

Deal reached on HK port: China and Britain agreed a long-delayed expansion of Hong Kong's container port. Foreign secretary Malcolm Rifkind said the two countries had made "significant progress" on the territory's future. Page 12; China's U-turn, Page 5

Taiwan opts for coal-fired plants: Taiwan plans to build three coal-fired thermal power plants at a projected cost of T\$540bn (\$20bn) to meet a rapidly rising demand for electricity. The move comes amid fierce opposition to new nuclear power plants. Page 12; Japan reviews nuclear strategy, Page 5



dent Lech Walesa (left) has decided to go back to his roots and apply for his old job as an electrician in the Gdansk shipyard. Mr Walesa took his defeat in last month's presidential elections badly. He vacated the new presidential palace in Warsaw, flew to Gdansk and refused to

attend the inauguration of his successor, Alexander

Turkish businessman killed: One of Turkey's wealthlest businessmen, Ozdemir Sahanci, was shot dead by a gunman who penetrated tight security at his company's Istanbul headquarters. Page 3

Compagnie Générale des Eaux, the French utilities and communications group, is to sell its two bottled water distribution companies in the US to Japanese beverage manufacturer, Suntory, for

Booing seals \$4bn order: Malaysia Airlines confirmed it was buying 25 Boeing aircraft in a \$4bn deal, with the order for engines split betwe Rolls-Royce of the UK and Pratt & Whitney of the US. Page 4; Lex. Page 12

ABB, the Swiss-Swedish electrical engineering group won a \$470m order to build Italy's first plant producing electrical power from oil refinery residues. Page 4; Woven into the fabric, Page 11

A junior Japanese government minister admitted he had received money from a property company deeply in debt to some of Japan's troubled housing loan companies. Page 5

Crucial phase for US budget talks: Budget talks between US President Bill Clinton and Congressional Republicans were at a crucial phase with both sides saying they expected the talks to succeed or fail, but to do so quickly. Page 6

House of Fraser, the UK department store operator, warned that annual profits would be well below expectations due to the warm autumn weather and sale of surplus stocks. Page 17

Sweden cuts Interest rate: Sweden's central bank cut its key interest rate by a quarter of a percentage point to 8.66 per cent. It was the first reduction in nearly two years. Page 3

International Paper, the world's largest paper company, achieved record earnings in 1995, but the US group said recent weakness in its markets was likely to continue into the early part of this year. Page 13, Enso upbeat, Page 14

US begins recovery from blizzards: The north-eastern US began recovering from the worst snowstorm in decades which killed at least 48 peo-

Vogel convicted: Wolfgang Vogel, the East Berlin lawyer famous for organising cold war spy swaps, was convicted in Germany of extorting money from would-be East German emigrants.

STOCK MARKET INDICES | GOLD

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ABB pioneers a new network



A vision for Greenpeace

The legacy of

Bonn faces rising unemployment, mounting insolvencies and lower growth

German jobs gloom deepens

WEDNESDAY JANUARY 10 1996

The gloom surrounding the German economy deepened yesterday with news of a big rise in unemployment, weak industrial orders, mounting insolvencies and a sharp downward revision in the growth forecast of a leading economic research institute.
The data helped depress the
D-Mark against leading currencies including the dollar, which closed in London at DMI.4432, up from DM1.4403 the day before. By contrast, Germany's Dax equity

index rose 14.71 to a record high of 2,351.47 on hopes of lower interest rates. The day began badly for Chan-cellor Helmut Kohl's coalition government when the federal labour office reported from Nuremberg that unemployment, unadjusted for seasonal factors, had jumped by 211,800 last month

to 3.79m or just under 10 per cent of the labour force. Soon afterwards, the Berlinbased German Institute for Ecoof 1.75 per cent from the Munich-based Ifo institute and a prediction of 2 per cent growth made by Mr Gunter Rexrodt, economics

minister, on Sunday. Yesterday's bleak economic data increased pressure on the Bonn government to produce a convincing packrage of measures to boost employment by January 30, when the cabinet is due to approve the official economic report and forecasts for 1996.

The opposition Social Democratic party yesterday demanded more training, research and development, and reform of the tax and benefits system to make labour cheaper. Mr Guido Westerwelle, general

secretary of the Free Democrat party which is part of the Bonn coalition, urged "concrete tax

sharply to boost living standards and jobs. It also told the government to allow higher deficits and urged the IG Metall union to renegotiate the generous pay and conditions agreed for the metal-working industry this year.

'Masstricht test falled'... Editorial Comment ... Pege 11 Page 21

Although had weather accounted for much of the jobless rise the December figures represented a serious blow to the credibility government economic policy. seasonally adjusted jobless total, at 3.79m, was as high as the unadjusted "headline" figure. The adjusted jobless increa

nomic Research (DIW) revised down its growth forecast for this year from 2 per cent to 1 per cent. This is the gloomiest 1996 growth forecast so far published in Germany, undercutting the forecast cuts short-term interest rates the state of the state o that of December 1994. Early last year, Mr Rexrodt forecast that unemployment would fall by 300,000 in 1995. Mr Bernhard Jagoda, the

labour office president, warned that the outlook for 1996 was bleak and that the jobless total would not fall this year. Unemployment in eastern Germany continued to be sharply higher than the national average, jumping to 14.9 per cent last

month from 14 per cent in November. In western Germany the jobless rate rose to 8.7 per cent from 8.2 per cent against a rise to 8.9 per cent from 9.3 per Order and insolvency figures yesterday added to the gloom. Manufacturing industry's orders

increased in real and seasonally

adjusted terms by 1 per cent

but only because of a hunching of big orders in eastern Germany. Pan-German orders for October and November were down 2 per cent on the preceding two months and 3.8 per cent lower

Yotal unamployment % of inhour force, unadjusted

than the year before. Insolvencies in October totalled 2,350, up 11.3 per cent on September, and are expected to reach a record 28,000 in 1995.



Murdoch

consortium backed by Mr Rupert Murdoch's News Corporation has submitted a bid worth

more than \$2bn for the European broadcasting rights for the win-ter and summer Olympics between 2000 and 2008. It is the flercest challenge yet to the European Broadcasting Union, which negotiates collec-tively on behalf of Europe's pub-

lic service broadcasters such as the BBC for broadcast sports rights. Until now the union has always won the contract.

The offer mirrors a bid by

NBC, the US network, for the US rights to future Olympic Games and is a further example of the intensifying international battle for television rights to big events such as the Olympics.

Mr François Carrard, director-general of the Lausanne-based

International Olympic Commit-tee, which owns the rights, said: "I can confirm we have received an offer from News Corporation and it is a serious bid." He declined to discuss numbers because negotiations had already begun for the Sydney Olympics in 2000 and the Winter Olympics in Salt Lake City in 2002.

The hid, delivered to the IOC on Monday, was signed by Mr Sam Chisholm, who is in charge of all News Corporation Television interests outside the US, as well as being chief executive of British Sky Broadcasting, the UK eabellite venture.

Other continental European broadcasters are believed to be involved in the consortium. Its aim would be to show the Olympics on a mixture of subscription channels and terrestrial televi-

sion networks.

Mr Richard Bunn, controller of sports rights at the Geneva-based EBU, said last night: " We expect to continue our good relationship with the IOC." He said Mr Murdoch was only interested in cash and "sport as a money business." The EBU members concentrated on providing quality professions coverage and making television sport available to everyone. The EBU paid \$240m for the

European broadcasting rights to Continued on Page 12

Former Italian prime minister Giulio Andreotti, right, confers with lawyer Odoardo Ascari during his trial on charges of having Mafia links. The trial started in Palermo hut yesterday's hearing took place in Padua for security reasons, because of the appearnce as a prosecution witness of Mafia turncoat Tommaso Bus-

threaten to burn Russian town By John Thornhill in Mescow Chechen rebel leaders last night threatened to turn a southern

Chechen rebels

Russian town into a "burning hell" if Moscow attempted an attack to free hundreds of civil-

attack to free hundreds of civi-ians held hostage in a hospital. Russian media reports, which could not be independently con-firmed, suggested that at least 16 people, including five civilians, had been killed in an earlier clash between Russian troops and the rebels at Kizlyar in the

southern region of Dagustan. President Boris Yeltsin lashed out at his ministers for failing to prevent the separatists' attack. and promised that "decisive the crisis.

In a separate sign that the Kremlin may be preparing to adopt more hardline policies, Mr Yeltsin appointed Mr Yevgeny Primakov, Russia's chief spymaster, to the vacant post of foreign As a former academic and Mid-

die East specialist, Mr Primakov was an eloquent advocate of Soviet foreign policy goals in the Brezhnev era and is widely expected to pursue a more assertive and nationalist policy.

Russia's security forces in the Caucasus were apparently wrongfooted vesterday when several

hundred Chechen fighters infil-trated Kiziyar, which is 70 miles north-east of the Chechen capital

Russian media reports said the rebels had herded civilians at gunpoint into a central hospital and maternity home. Foreign reporters were prevented by the military from travelling to the site of the hostage incident.

Russian news agencies reported that fierce shooting broke out last night as Russian troops swarmed into the town, Earlier, talks between the Rus-sian forces and the rebels broke down after their demands for Moscow's recognition of an independent Chechnya were rejected. Mr Salman Raduyev, who led the raid by a Chechen group call-ing itself the "Lone Wolf", threatened to kill the hostages unless Russian forces pulled out of the

breakaway republic. He insisted his forces had not planned "a terrorist act", but the "military operation just went in another direction". Mr Raduyev is the son-in-law of Mr Dzhokhar Dudayev, the former Chechen president who declared independence from Moscow in 1991. There were conflicting reports of the number of hostages taken

Continueds on Page 12

Primakov profile, Page 2 | cetta. Report, Page 2

Rhône-Poulenc drops profit forecast after French strike

By David Buchan in Paris

Rhone-Poulenc, the French chemicals and drugs group, yes-terday warned that its 1995 profits would be lower than it hoped because of last month's French rail strike and a government

In what may be the first of similar announcements by other French companies after December's public sector chaos, Rhône-Poulenc said "first indications of business activity in the fourth quarter" of last year had led to "lower results than we had

The group also cited the slowdown in the French and other European economies since September as another reason to downgrade its 1995 forecast. which at the start of last year was for double-digit growth. The group's net profits for 1994 were FFri.92bn (£250m) on turnover of Its majority-owned US pharma-

American Noves

ceuticals subsidiary. Rhône-Poulenc Rorer, said that its full year results on January 29 would be hit by a levy imposed by the French government on French pharmaceuticals groups.

The first quarter of 1995 was

good enough to push profits for the first nine months of last year 71 per cent higher than in the same period of 1994, even though

Page 14

ter, when net profits were 17 per cent lower than a year earlier. Nearly a quarter of Rhone-Poulenc's business is domestic, and about a third of its products normally move by rail. Two of its chemical plants had to shut last eries of finished products.

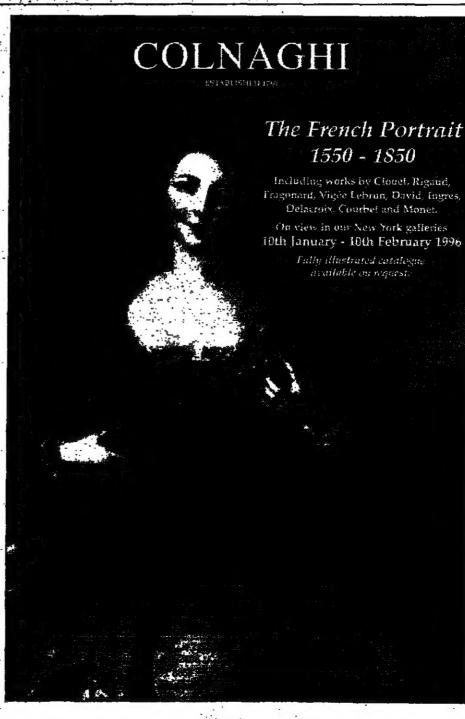
this tailed off in the third quar-

and problems in the Brazilian economy, where Rhône-Poulene is the largest chemical company. Aggravating the situation is

the French government's plan to exact a FFr2.5bn (\$506m) levy from French pharmaceutical companies this year as their contribution to plugging the finan-cial hole in the country's social security system. The governmen has not yet announced how this tax will be assessed but Rhône-Poulenc Rorer is expected to have to make the las contribution.
The Rhône-Poule

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month for lack of raw materials, while the strike also hit deliv-Other factors affecting the 1995 results, due to be announced on January SI, were a lacklustre perthe UK nharmaceutic CONTENTS Ats Gude . FT/SP-A Whit Indices Business & Brushe ___ & ro Car Units ___ LINEDOE - LEEDS - PARKS - PRANKFORT - STOCKENAR - MARKET - REW YORK - Lot And



Public sector deficit more than 3% of GDP last year, says Waigel:

Germany 'failed Maastricht test'

By Judy Demosey in Wildbad Kreuth

Mr Theo Waigel, the German finance minister, yesterday said Germany failed last year to meet the Maastricht treaty criterion for reducing the public sector deficit to below 3 per cent of GDP. But he insisted the criterion would be met this year despite growing unemployment and lower than originally forecast economic growth.

"We were over 3 per cent for last year," said Mr Waigel. He was speaking after holding a closed session with deputies of the Christian Social Union (CSU). Chancellor Helmut Kohl's Bavarian sister party, during its annual meeting in the mountain resort of Wildbad

The CSU leader's remarks challenged estimates published earlier this week by the Cologne-based Institute of the German economy (IW) which had confidently predicted that Germany's public sector deficit for 1995 would amount to 2.9 per cent of GDP.

Mr Alexandre Lamfalussy, president of the European Monetary Institute, the forerunner to the European central ank, yesterday said he was surprised at Mr Waigel's announcement. "It just shows that anything can happen. But we will have to wait and see what will happen in two years' time," he said before addressing the CSU.

Mr Waigel blamed low economic

growth for Germany falling short of the Maastricht criterion. But he also

blamed the states and municipalities, as and next - "the deciding years". well as the deficit of the social security Mr Waigel's comments coincide with

Mr Waigel's comments were a veiled attack on the opposition Social Democrais, who are in power in the majority of the 16 states and in the large cities and towns. He insisted that the government this year would attempt to impose a moratorium on higher spending projects among the states and also apply pressure on them to hive off some of the public sector - for example water, garbage collection and energy - to the private sector.

Despite Germany's failure to meet the Maastricht budget criterion last year, Mr Waigel said it and other countries would have time to fulfil it this year

growing concern in the government about rising unemployment. This could put a brake on economic growth for the coming year and possibly make it even more difficult for the government to keep the budget deficit within the Maastricht criterion.

Mr Waigel admitted unemployment was the biggest challenge facing the government. But he added that economic and monetary union was all the more important, especially for Germany. Without it, he said, the country ity which would be a disadvantage for its exports and investment in the state of th also affect unemployment levels.

By John Thomhill in Moscow and Bruce Clark in London

President Boris Yeltsin yesterday startled the diplo-matic world by appointing as foreign minister Mr Yevgeny Primakov, Moscow's chief spy-master and an old friend of some of the more radical regimes of the Middle East.

This is a dramatic sign of an anti-western turn in Russian policy," said Mr Peter Rodman, a former senior US

A sophisticated foreign affairs analyst who is openly sceptical of western intentions has been head of the external intelligence service (SVR in Russian) since it was spun off from the Soviet KGB in 1991. Under Mr Primakov, an Arabic speaker who honed his skills as a correspondent for Pravda newspaper and director

of the prestigious IMEMO think-tank, the SVR has never pretended to see relations with the west as anything but

The SVR has complained

western intelligence services in the former Soviet Union - and to judge by the steady trickle of Russian diplomats who have been expelled from western capitals since the Soviet collapse, the feeling of suspicion

Old foe of west is new

is entirely mutual. Mr Primakov's international profile reached its height before and during the 1991 Gulf war, when he conducted a hectic round of meetings with Iraqi President Saddam Hussein aimed at pre-empting western military action against

While he favours co-operation with the west over such issues as crime and non-proliferation. Mr Primakov said last month that Russia's security services should aim to "prevent the creation of a unipolar world" - a thinly veiled call to stop the US consolidating its position as the sole super-

The occasion on which he was speaking - the 75th anniversary of the creation of the Soviet intelligence service was itself a reminder that the

Russian foreign minister in its role as joint heir to the KGB. Mr Primakov's appointment would appear to be at odds with Mr Yeltsin's reassur-ance that there would be no radical change of foreign policy following Mr Kozyrev's depar-

> His appointment is certainly likely to delight Russian nationalists who have condemned foreign policy for

> being too pro-western.
>
> The SVR has given high pri-ority to establishing a de facto sphere of Russian influence in the Commonwealth of Independent States - and to judge by a series of visits paid by Mr Primakov to former Warsaw Pact countries last autumn, it may be trying to revive some long ern Europe. Mr Primakov is a relentless

> critic of Nato's plan to enlarge eastwards, and he was rumoured to have opposed Russia's return to military co-operation with Nato last

In a profile of Mr Primakov last year, the weekly Moscow



Yevgeny Primakov: openly sceptical of western intentions

News, which is well informed moderate centrist under Brezhon Russian foreign policy, portrayed him as a born survivor who had transformed himself masterfully to meet the political needs of the time. "A loval careerist at first, a

nev, a liberal under Gorbachev, a fierce politician of the conservative wing under Yeltsin - these are the stages in the political evolution of Yev-geny Primakov," it said.

Bildt 'working on a shoestring' in Bosnia

By Lionel Barber in Brussels

Mr Carl Bildt, the civilian co-ordinator in Bosnia, yesterday rejected charges that he had made a sluggish start, saying he was running a shoestring operation in Sarajevo, a city more divided than Berlin during the cold war.

Mr Bildt said money shortages were so severe that, a week ago, that he was forced to withdraw DM300.000 (\$208.000) from an EU account in a Brussels bank, stuff it in a suitcase, and carry it to Sarajevo to pay for telephone lines, interpreters, and car drivers.

"We have to operate on a cash basis," Mr Bildt, a former Swedish prime minister, said in Brussels yesterday. "The D-Mark is the currency in that part of the world."

Yesterday brought some relief for Mr Bildt as the European Parliament approved dis-bursement of Ecu12.5m (\$15.9m) in aid for his opera-tion, an ad hoc creation whose task is to co-ordinate with the Nato peace implementation

force (lifor). Its other job is to exercise political control over economic reconstruction and reconciliation in Bosnia, including the supervision of elections via a US-led delegation from the Organisation for Security and Co-operation in Europe.

Mr Bildt underlined the scale of the challenge in Bosnia with a warning that Serb threats to stage a mass exodus from an "extramely tense" Sarajevo could wreck the Dayton-Paris peace accords. "If [Serbs and Moslems] don't see they can live together in the capital, then of course there is a great question mark over the future of the country itself."

Mr Bildt stressed that it was up to the former warring par-ties - Bosnian Moslems, Serbs and Croats - to make peace rather than relying on Nato or the EU to impose a settlement. In his own defence, Mr Bildt said he was putting together an operation from scratch, hav-ing been barred from taking over existing UN facilities, including office space and telephone lines. The US insisted that the civilian peace imple-mentation effort make a clean break with the UN peacekeeping mission (Unprofor), though Mr Bildt pointed out that

Nato's Ifor operation had not

proved so squeamish. Admiral Leighton Smith, Ifor commander, was sitting in the old office of General Rupert Smith, the British commander of Unprofer in Bosnia, he said. Mr Bildt said he had paid DM45,000 for five telephone lines, and had to negotiate "for every telephone line and every square metre of office space". Only the EU, the European Parliament, and the European Commission had come forward

Mr Mate Granic, foreign minister of Croatia, is today due to meet President Slobodan Milosevic of Serbia in what is the highest ranking visit by a Croatian official since war broke out in 1991, writes Laura Silber in Belgrade. His trip comes after the UN Security Council condemned Croa-

tia for human rights abuses against its Serb citizens. Since Crostia last August crushed its rebel Serb state in the Krajina, the Security Council said Serbs had been the victims of atrocities and murders. It urged Zagreb to ahandou, not just suspend, laws making the return of Serb property conditional.

The blitzkrieg forced the exodus of some 180,000 Serbs, whose

"rights to return in safety and dignity are being severely curtailed", said the Security Council. The UN also called on Zagrei to hand over six Crosts to The Hague war crimes tribuxal. One of the suspects was promoted to a senior position in the Crostian army after the tribunal indicted him.

with funds for his mission, likely to be around 45 to 50 people in Sarajevo with support staff in Brussels. Mr Bildt also expressed concern about the slow provision

of police officers to monitor the peace. Around 1,700 were needed, but fewer than 100 had arrived in Bosnia - despite worrying incidents such as the

recent abduction of 16 Moslem civilians by Bosnian Serbs.

• AP adds from Sarajevo: A rocket-propelled grenade hit a Sarajevo streetcar yesterday, killing a man. The attack occured shortly before 6pm, as the tram was travelling on the main boulevard. It was the most serious incident since the October 12 ceasefire.

Dini call to avoid power vacuum

By Andrew Hill in Milan

Mr Lamberto Dini, the Italian prime minister, last night urged the Italian parliament not to plunge the country into a government crisis.

Opening the debate on the future of his technocratic government, Mr Dini said he hoped the lower house of par-liament would decide not to open a period of "uncertainty and power vacuum", at a ent when Italy had just taken over the presidency of the European Union.

"The urgency of the ques tions to be confronted, the duties arising from them, and, with regard to Europe, national dignity" demanded a clear and wise decision.

Mr Dini, appointed a year ago, presented his govern-ment's resignation at the end of last month, but President Oscar Luigi Scalfaro said it was up to the parliament to decide what to do next.

Right-wing parties, which have barely tolerated Mr Dini's government, are publicly pressing for early elec-tions, although it was not clear shead of yesterday's speech whether they would be prepared to bring the govern-

nt down. After outlining the legislative and economic achievements of his government, Mr Dini said there were two options available to the parlia-ment, other than deciding on early elections.

They were the formation of a new government to carry out institutional reforms over a long period, or the support of a short-term government to ensure a stable six-month EU

Above all, Mr Dint said, it was up to parliament to decide whether there was sufficient political will to carry out con-

stitutional reform.

The prime minister drew hoots of derision from his opponents when he claimed that his government had never thought of outlasting its lim-ited mandate. He pointed out that the government had several times risked its survival by seeking a vote of confi-dence to push through vital legislation, such as the bill for the 1996 budget

It has long been clear that Mr Dini wants to prolong his mandate for at least the first six months of 1996.

The main political groupings suggested earlier yesterday that they would decide how to proceed only after hearing what the prime minister had to say. Their position is so confused as to make it difficult to predict the outcome.

Mr Gianfranco Fini, the leader of the right-wing National ARiance, warned before the speech that his party would aim to open a government crisis. By con-trast, the centre-left coalition wents to avoid such a crisis and guarantee the continuity of the government during Italy's EU presidency.
The debate is likely to run

Wooing voters by telling the bad news first

Spain's opposition leader Aznar promises years of austerity and self-discipline, writes David White

Several years of austerity and self-discipline would seem a dour offering for an opposition leader to make to voters for his party's first ever stint in national govern-ment. But Mr José Maria Aznar, the 42-year-old leader of Spain's centre-right, is ada-

What I ask of you is this: do

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the Popular party," he says. Mr Aznar, in London vester-day for talks with Mr John Major, the prime minister, and other UK ministers, left no doubt about what he saw as his first and most important to tackle the budget defi-

He made clear in an interview that cuts in income tax rates promised by his party as part of a far-reaching fiscal reform would have to come

The PP has proposed reducing the top marginal rate of tax from 56 per cent to 40 per cent. but Mr Aznar is now more cautious about the pledge. "I am not going to preach tax reductions before getting results in the fight against the public deficit." he says.

The next eight weeks, in the run-up to general elections on March 3, are make-or-break for Mr Aznar, in his third bid for the premiership. He is tipped to beat Mr Felipe Gonzalez's Socialists to bring Spain's first change of government since 1982. The question is whether the PP can win enough seats to govern comfortably on its own and enforce its economic objec-

One of the Socialists' main tactics is to question whether Mr Aznar, a methodical former tax inspector, is a convincing

enough leader to do it. Mr Aznar has prepared a confident pitch: "I am going to bet you that we are going to win by a majority." He knows

that the financial markets. already warming to the prospect of a change of govern-ment, are likely to punish a new administration if it does not take early measures to prove its seriousness about meeting the economic convergence targets for the European single currency.
"Spanish and international

opinion have to see from the start of Day One that decisions are being taken," he says. Might he not run straight into the kind of turmoil seen in opposition to the administra-tion of President Jacques Chi-

rac in France? Mr Aznar's ready-made answer betrays just how unsettling the French precedent has been for the PP. The two countries are very different, he insists. Spain does not have the problems France has in coming to terms with a united Germany, and there is no "civil war" between differ-

ent centre-right factions. Moreover, the Chirac govern-ment ignored two rules, he says: "A government has to act very rapidly, and a government has to speak and explain things." He apparently does not think Mr Chirac and his prime minister, Mr Alain

Juppė, did either. If the PP wins, Mr Aznar will seek a tripartite deal with unions and employers to moderate wage increases - a pact Spain last had 10 years ago. Spain cannot allow itself to become detached from the eco-



José María Aznar: tackling budget deficit comes first

stream, he says, Assuming that the EU single currency goes want Spain to be there" - even though Spain currently meets none of the criteria to qualify for joining.

The message has to be extremely clear on the budget, and on the public sector deficit. I believe this is the essential message of stability. This is what will relieve pressure on interest rates, allow for a reduction in the debt burden. rying out this operation, then we would need to do it."

nomic aims of the EU main- and provide security with respect to inflation." It will require "a very rigorous, very orthodox policy" over the next years, with savings

coming from reform of the bureaucracy and the nationalised sector. What he is looking for in March is a clear parliamentary majority to push this through and to engender the confidence needed to "complete the liberalisation of the economy".

"If we are not capable of car- was not the deadline of 1999,

ployment rate, and that is our great priority," he adds. Unemployment in Spain is 23 per cent, and joblessness among the young is as high as 40 per cent, he says.

Mr Aznar promises deregulation in services, telecommunications and transport. But he is much more cautious about further deregulation of the labour market or about touching the state pension system, which he maintains is "tolera-

While he plans an "intensive" programme of privatisation, he does not spell out which new parts of the state sector might be sold. A PP govermment would privatise "all we can" - but would want to keep certain "strategic" companies in state hands. This would include not only defence companies but also the mining sector, on "social" grounds.

Mr Aznar is not making job promises - . 13 years ago Mr González somewhat unwisely promised to create 800,000 but wants to increase the proportion with stable jobs rather than temporary contracts. In posts and institutions would be

"I want a smaller government," he says, but with a new budget office to curb spending, directly under his control in the prime minister's office. The PP austerity programme, he admits, could last several years. "It is possible that when we get to 1999 we will be out of breath," he says.

But he adds: "Even if there

EUROPEAN NEWS DIGEST

Andreotti faces Mafia accuser

Mr Giulio Andreotti, seven times Italy's prime minister. yesterday came face to face for the first time with the informer who has accused him of having links with the Mafia.

Tominaso Buscetta, a former Mafia boss, told the latest
session of the Andreotti trial that he could have exposed the sex-premier 10 years ago for Mafia links but was afraid his evidence would be ridiculed and discredited.

Buscetta's testimony - a key part of the prosecution case -opened a special session of the trial in Padua, northern Italy. Buscetta is at the top of a Sicilian Maña death list and many members of his family have been killed in attempts to

dissuade him from giving evidence.

Although present at yesterday's session, Mr Andreotti, who is protesting his innocence, is not required to answer

or protesting his innoceance, is not required to answer
questions at this stage.

During a pause in the trial, Mr Andreotti told journalists
there was "nothing new" in Buscetta's evidence. Mr
Andreotti's lawyers claim Buscetta changed his story to
include the political angle in order to satisfy prosecutors who
came to the US to question him.

Andrew Hill, Milan

Lithuania's bank chief may quit Mr Kazys Ratkevicius, the governor of Lithuania's central

bank, offered to resign yesterday over a banking crists that has shaken the Baltic state's fragile market economy. But the government, which is struggling to restore confidence in Lithuania's financial markets, refused to accept Mr Ratkevicius's resignation until a suitable replacement could be found. Mr Ratkevicius sparked controversy last month by suspending the operations of two of Lithuania's higgest financial institutions, innovation Bank and Litimpeks bank, amid fears about their solvency.

The dispute escalated when it emerged that Mr Adolfas Slezevicius, the prime minister, had withdrawn \$30,000 in personal savings from Innovation Bank two days before its

Bayer faces Eculm Brussels fine Bayer, the German pharmaceutical company, is expected to be fined more than Eculm (\$1.2m) in an anti-trust decision to be

approved by European commissioners today. The offence stems from Beyer's alleged refusal to sell Abalate, a cardiovascular-drug, to wholesalers distributing it in France, Spain and the UK. Commission officials said the

in France, spain and the UK. Commission unicials said the German company's move appeared aimed at stopping French and Spanish businesses re-exporting the drug, particularly to the higher-priced UK market. Commission officials were last night debating how high to set the fine. It was likely to range between Eculm and Ecusm, according to an official familiar with the case. The Commission postported a decision at its last meeting in December after Bayer filed information about patents in the UK. The latest information is likely to reduce the earlier planned fine, though not reverse the actual decision. Lione. Barber, Brussels

Swiss companies look abroad Swiss companies invested a record SFr15.1bn (\$13bn) abroad in 1994, continuing a recent trend to shift research, development and production bases to less expensive and more creative

locations than Switzerland. The spending was 16 per cent higher than in 1983 and raised the accumulated external investment by Swiss companies to SFr148.2bn at the end of 1994, according to the Swiss National

Bank. A third of external investments in 1994 went to the US, especially in the health products sectors. Roche spent \$5.3hn to take over a US pharmaceuticals group, Syntex, and Sandoz spest \$3.7hn to acquire Gerber Products by Sandoz.

Not all of the funding for these deals came from Switzerland. The Swiss pharmaceuticals groups have also formed alliances with several US research institutes and biotechnology start-up consultation. companies. Switzerland's total net foreign assets, which also include bonds and securities, totalled SF7361bn at the end of 1994, roughly equivalent to one year's GDP. The bank estimated that these assets may have risen to around

Germany may merge coal mines

Ion Rodger, Zurich

The German government is considering proposals to fuse the country's two biggest coal mining companies. Ruhrkohle and the state-owned Sambergwerke, as part of an effort to streamline production of coal which already costs DM200 (\$138) a tonne more than imported coal, according to government officials and industry executives.

Such a decision would be politically contentious because of the thousands of jobs dependent on coal in the Ruhr region and in the south-western Saarland, both already depressed areas. However, it would mark a significant step forward in the government's efforts to privatise, which it has said is a political priority.

The merger would breathe new life into talks to find a

future for the German coal industry. The Bonn government is committed to paying DM7bn annually to subsidise coal until 2000, but sums beyond that date have not been finalised.

Michael Lindemann, Bonn

German who sold freedom fined

Mr Wolfgang Vogel, the former communist East German official who helped more than 280,000 people to escape to the west, was yesterday given a two-year suspended prison sentence and fined DM92,000 (\$64,000) for blackmailing at least

four of the people he assisted.

A Berlin court also convicted Mr Vogel of perjury and forgery. Mr Vogel, the commissioner for humanitarian matters in East Germany, had helped West Germany buy the freedom of about 34,000 political dissidents. He also helped, in exchange for hard currency payments for East Germany, a further 250,000 people to leave-tile hardline communist state.

After the fall of the Berlin Wall many leading German politicians spoke out on Mr. Vogel's behalf, saying he had belped people get out of East Germany. However, during the 14-month trial it emerged that Mr Vogel had blackmailed some of those wanting to leave and had worked as an informant for the Stasi, the East German secret police. He faces a further trial to establish whether he held an executive position in the former East German interior ministry.

Michael Lindemann

Bonn concern at asylum seekers

300

The number of foreigners seeking political asylum in Germany was barely changed last year compared with 1994, but the interior minister said the total number of people applying was still too high. Foreigners applying for asylum in 1995 totalled 127,937, barely changed from 1994 but still down sharply from 1993 and 1992. "Asylum figures for 1995 make clear that the new rules that took effect on July 1 1993, have proved themselves," said Mr Manfred Kanther, the interior 0 1982 35 34 35 minister. Despite the sharp drop, the number of people

who apply for asylum every month is still too high," he said. "We must do our utmost to reduce it further." Former Yugoslavia remained at the top of the list of areas from where asylum seekers arrived in 1995, followed by Turkey,

Afghanistan, Iraq and Sri Lanka. Mr Kanther defended rules, now being reviewed by the Constitutional Court, that let authorities quickly turn back would-be refugees who arrive via third countries or states that Germany deems to be safe.

صكذا من الاصل

Turkish businessman

By John Barham in Ankara

Mr Ozdemir Sabanci, one of Turkey's wealthiest businessmen, was shot dead yesterday by a lone gunman who penetrated tight security at his company's headquarters in Ist-

The killing shocked the Turkish business community. Mr Sabanci's murder revived memories of extremist violence in Turkey in the late 1970s. Although several urban terrorist groups claimed responsibility for the killing, many in the Istanbul business world believe the killer was a professional assassin and that Mr Sabanci's murder may have been related to his business activities.

One of his colleagues said: Ozdemir, an associate and a secretary were killed with the silenced gun in a room next door to the boardroom where other members of the family were in a meeting. If it really was political, why not kill the whole family?"

The Sabanci family owns Turkey's second largest business group, Sabanci holding. with interests that range from textiles to banking and cars. Mr Sabanci, son of the conglomerate's founder, was a retiring figure who was consid-

Pro Branco

President Suleyman Demirel yesterday formally asked the leader of the radical Islamic Refah party to form Turkey's next govern-

45 days in which to find a coalition partner, analysts doubt that he will be successful. Refah won 158 seats in the 550-member parliament in elections last month, more than any other party but still far short of a majority.

The leaders of the other four parties in parliament have said they will not work with Mr Erhakan, despite speculation that the conservative Motherland party would enter a coalition.

ered the family's industrial textile magnate and financier mastermind. He set up a joint venture with Toyota of Japan to build Corolla cars in Turkey. A \$325m automobile plant was established near Istanbul in 1990 – the biggest single Japa-nese investment in Turkey.

The death of Mr Sabanci immediately led to tightened security at corporate headquar-ters all over Istanbul, Turkey's business capital, where the fear of terrorist attacks has

always been strong.
However, gangland killings of business figures have also become more common. Last month Mr Ismail Yener Kaya. a financier and candidate in the general elections, was burnt to death in his car. In

ment, writes John Barham. Although Mr Necmettin Erbakan, the party's leader, now has

If Refah fails to form a government, Mr Demirel is expected to attempt to broker a coalition led by the True Path party of outgoing prime minister Tansu Ciller.

was shot dead. Yet neither enjoyed Mr Sabanci's stature in the business world and his death has further shaken business morale, already battered by the election victory of the fundamentalist Refah party in the December elections.

As news of his death spread around the city's business district, the corporate world's already sombre mood deepened further.

One European banker said: "Everybody in business is frightened stiff of Refah. Now this assassination only makes the mood worse. The country sell-offs would be abandoned is rudderless, with no direcaltogether have been proved tion. Nobody wants to take any wrong. Adoption of "standard methods" of privatisation has decisions, markets are dead in the water." quickened the pace, with hun-

Assassin kills leading New sell-off fever grips Slovaks Slovakia: privatisation to date

ated by the private sector, and

Slovakia is set to record 6 per

cent growth in 1995, second

highest in east Europe's emerg-

The Slovak government is due this month to publish details of a publish details of a promised bond issue to compensate investors in an abandoned mass privatisation pro-

About 3.5m Slovaks bought coupons in 1994 in the hope of participating in a round of mass privatisation. But it was cancelled by prime minister Vladimir Meciar after he took office just over a year ago.

They paid a small sum for coupons they had hoped to exchange for shares in Sk60bn (\$2bn) worth of state industries, such as gas and electricity distribution companies. Instead, each coupon holder will get a nominal Sk10,000 bond backed by assets of the National Property Fund (NPF), a state holding company.

The bonds may be used for such purposes as paying for an apartment or contributing to a private pension scheme, and are likely to be transferable. The government has yet to spell out precisely how the issue will be structured The cancellation of the mass

dreds of sell-offs in the second privatisation programme attracted much criticism, but half of 1995 at an estimated book value of \$1bn. These range from small factories to a this has been damped down by the generous compensation. 39 per cent stake in the petro-Moreover, those who feared chemical group Slovnaft.

Most sales have been made to management and workers at the enterprises involved. About 65 per cent of gross domestic product is now gener-

they can meet payments to the NPF. "The company is paying for its own acquisition in the end," said Mr Jean-Christophe Ganz, manager of ING Bank in Bratislava. Another criticism is that if an enterprise is deemed important enough, an ambiguous

law on strategic enterprises enables the state to retain a golden share that allows it to wield influence after the stake has been sold. Most contentiously, critics say assets are sold only to

cash flow will be diverted as dividends to the new owners so

those deemed loyal to Mr Meciar's Movement for a Democratic Slovakia. Scores of company bosses were replaced last year by allies of the government before the sales.

Mr Eugen Jurzyca of the Centre for Economic Development, a think tank, said he doubted the wisdom of what he termed "family-circle privatisation". Selling companies on the cheap threw away money that could be used for social spend-ing and the relief of bad debts. It also promoted inequality, he said by concentrating potentially valuable assets among a narrow group who could then sell them on at great profit.

ing markets after Albania.
Yet the current round of pri-Mr Meciar defends the govvatisation fever has attracted ernment's approach to reduc-ing state ownership: "Various criticism. Some assets have been sold at knock-down prices lobbies say our methods are and buyers have 10 years to undemocratic. We think they pay. The fear is that company are necessary and inevitable.

native entrepreneurial and managerial class, which Slovakia lacks. He cancelled the mass privatisation process because it could have led to foreign companies buying up

large parts of Slovak industry. Economists also play down the political dimension of privatisation. For the National Bank of Slovakia the important thing was that it was continuing, said Ms Elena Kohutikova, head of the central bank's monetary policy unit.

The main disadvantage of selling state assets to employees is that it does not introduce new capital to cash-starved enterprises. This raises the question of how the cost of the bond issue will be met. The bonds are due to mature in 2001, requiring the NPF to have up to Sk35bn available to pay out. Meantime, there is interest based on the discount

rate (currently 9.75 per cent), Although not all holders are expected to retain the bonds to maturity, economists warn the scheme could cost Sk50bn.

Another question is how industry will be restructured Foreign investment is one solution, and observers such as Mr Jurzyca expect a push to attract it next year. This would be a government volte face but one Mr Meciar might be pragmatic enough to pull off.

Vincent Boland

France outlines plan to reform telecom sector

By Andrew Jack in Paris

The French government yesterday stated its intention to create an independent telecommunications regulator and to introduce competition against the state monopoly provider by 1998.

Promising a continued important role for France Télécom, the state operator, Mr François Fillon, telecoms minister, stressed the importance of maintaining a "public ser-vice" network offering "affordable" tariffs across the country as a necessary part of regional development policy.

However, he conceded that long-distance telephone users - notably business - to local users would be "progressively re-balanced" over time, while arguing that the European Commission's demands for this to take place by the start of 1998 was "unrealistic". His comments came on the

day that the consultation period closed for the government's proposed reforms to telecoms regulations. Mr Fillon said draft legislation would be ready by this summer ahead of a new law which would come into effect at the

start of 1998. Mr Fillon spelt out five guiding principles: guaranteeing for everyone a quality public service; guaranteeing users simple access to more services;

competitiveness of France Télécom; and ensuring fair competition through the cre-

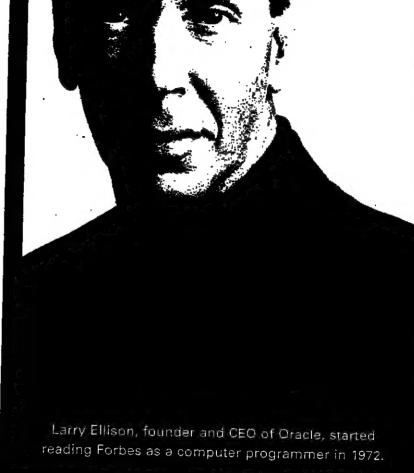
ation of an effective regulator. The government is widely expected to launch the sale of a minority stake in France Télécom this year or next, in spite of strong opposition from trade unions. Mr Fillon stressed yesterday that the state would remain in the long-term the majority share-holder.

The minister said he did not at this stage favour splitting the universal provision of the basic telephone service into a range of geographical which could be shared between different operators. But he said there would be room for competition through rival local and regional opera-tors, which would be obliged to contribute to the public service costs currently incurred by France Télécom.

He said he had taken heed of calls for a clarification of proposals in the types of telecoms licences that are issued, and that the rights of access and other requirements should be the same for the state company and other groups enter-ing the market.

He stressed that maintaining the status quo was unrealistic because "we cannot resist new technology for long", but argued that his recommendacreating an environment tions would not ignore favourable to the development cally French priorities. tions would not ignore specifi-





Swedish interest rate cut signals policy change

By Christopher Brown-Humes in Stockholm

Sweden's central bank 1996 than it originally thought" yesterday cut its key interest but it anticipated a revival in yesterday cut its key interest rate for the first time in nearly two years, saying economic growth was likely to be weaker than expected in 1996.

The cut, which lowers the bank's repurchase rate by a quarter of a percentage point to 8.66 per cent, signals a shift to looser monetary policy after a series of rate increases since August 1994.

It shows Sweden belatedly joining a European trend towards lower interest rates to counter slower economic growth.

Mr Urban Bäckström, Riksbank governor, said the cut had been made possible by increased international confidence in Sweden's tough programme to eliminate its budget deficit and stabilise its debt, as these had brought a sharp rise in the krona and much lower bond yields.

"The situation in Sweden improved considerably during the summer and autumn of 1995." he said. He also pointed to an easing of inflationary pressures. This made it more likely that the bank would reach its 2 per cent inflation years later.

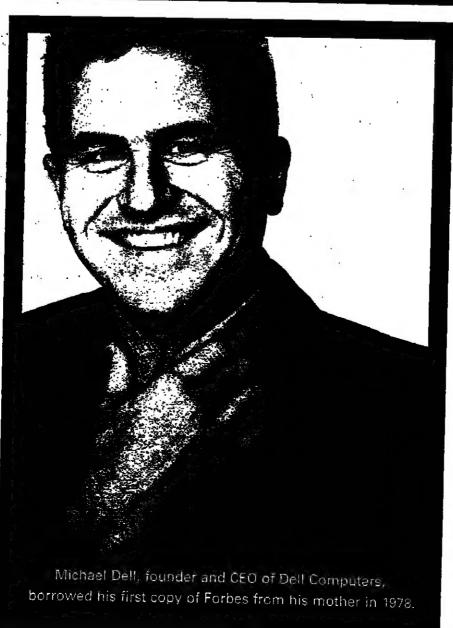
target in the coming months: Mr Bāckström said the bank expected "a somewhat weaker economic activity in the sec-

ond half. The bank still considers the krona to be undervalued, despite its strong recovery in recent months, but declines to set a target for the currency. Economists forecast that the

Swedish economy will expand by around 2 per cent in 1996, considerably slower than last year's 3.5 per cent growth rate. Figures from the government's National Economic Research Institute yesterday showed clear evidence of weaker industrial demand in the final quar-

Financial markets reacted positively to the rate cut, marking bond yields down by between 10 and 15 basis points. The 10-year bond yield now stands at 8.22 per cent, compared with 11.5 per cent in

Mr Bäckström said it was the first time for 20 years that Sweden had seen a sharp weakening of the krona - as it did after the currency was floated in late 1992 - without seeing a big jump in inflation several



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WHEN PEOPLE IN AMERICA

GET SERIOUS ABOUT BUSINESS,

Boeing outpaces Airbus for \$4bn order

By Michael Skapinker, Aerospace Correspondent

Malaysia Airlines yesterday confirmed that it was buying 25 Boeing aircraft, with the order for engines split between Rolls-Royce of the UK and Pratt & Whitney of the US. The announcement that the airline was buying 15 Boeing

blow to Airbus Industrie, the European consortium. Last year. Singapore Airlines ordered 77 Boeing 777s in preference to Airbus aircraft. Airbus fell to third place in

orders last year, behind Boeing and McDonnell Douglas, after winning the top slot in 1994. Last year Boeing won 346 orders. with McDonnell Doug-777s and 10 Boeing 747-400s is a las taking 114 and Airbus 106.

order was worth \$4bn. The airline has also taken options on a further three 747s and two

pointed with Malaysia Airlines' decision. The airline has Mr Tajudin Ramli, the airbought Airbus A330 aircraft in the past. The European consor-tium has suffered in recent line's chairman, said: "There could only be one winner. We can't afford to have 100 many months from not having an airdifferent types of aircraft." The craft large enough to compete Boeings were "slightly more with the Boeing 747, which carcostly, but they fit in more ries up to 400 passengers.

Airbus said it was disap-

engines for the Malaysian Tris one of a string of successes for the UK manufacturer in the Asian market. Singapore selected Rolls-Royce to provide engines for its 777s. The company is also providing engines for Cathay Pacific and Thai Airways International 777s. Rolls-Royce said the Malay-

sian order was worth up to

cent of the Boeing 777 market in the Asia-Pacific region, and about 35 per cent of the market worldwide, including firm orders and options. It said Pratt & Whitney had won 42 per cent and General Electric of the US 23 per cent.

Pratt & Whitney is to supply engines for the Malaysian 747s in deal worth about \$400m.

tighter curb on banana imports

By Guy de Jonquières

The French government has called on the European Union to impose tighter restrictions on imports of "dollar" bananas from Latin America and to compensate producers in former European colonies for lower prices and lost revenues. The demand was disclosed

vesterday as Mr Mickey Kantor, the US Trade Representative, was due to decide whether the EU's controversial banana regime violated international trade rules and harmed US economic interests. Mr Kantor's decision -

which could lead to US trade sanctions against the EU seemed likely to be deferred because of the partial closure of the federal government and the severe weather in Washing-However, US objections to

the banana regime may be raised in talks in Brussels today between Mr Daniel Glickman, US agriculture secretary, and Mr Franz Fischler, EU agriculture commissioner.

The US lodged a complaint in the World Trade Organisation last autumn, claiming that the EU discriminates against US banana marketing companies by favouring imports from African, Caribbean and Pacific countries. The US complaint is supported by Guatemala, Honduras and Mexico.

France's demands were contained in a letter from Prime Minister Alain Juppé, to Mr Jacques Santer, president of the European Commission.

French officials said Mr Juppé had complained that ACP and EU banana producers, which were still struggling to recover from lost revenues caused by crop damage, had been further harmed by a glut

of "dollar" fruit, which had depressed prices in Europe. In addition to requesting financial aid for the producers, Mr Juppé urged the commission to reconsider a proposal to increase "dollar" banana imports by 353,000 tonnes to 2.55m tonnes this year, to take account of the EU entry of

Austria, Finland and Denmark. However, Commission officials said France's demand was unlikely to succeed. Most other EU governments support the proposed increase, and a growing number of member states, led by Germany, are pressing for even more generous access for "dollar" fruit.

Some officials believe Mr Juppé's letter may be intended to discourage the EU from trying to head off US trade action by offering a compromise deal which would lift restrictions on Latin American banana imports.

Speculation that a behind-

the scenes settlement might be in the offing has been growing since November, when the formal consultation period for the US complaint in the WTO expired. In such cases, aggrieved parties normally request that a WTO disputes panel be convened. But the US had made no such request. Dominica resumes banana exports, Commodities Page

France calls for |Fruits of textiles pact fail to ripen

Poor nations have yet to see benefits from accord, writes Frances Williams

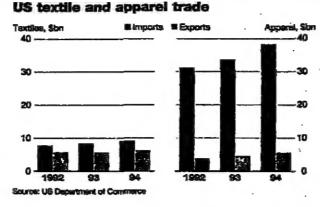
he implementation of a landmark international agreement on textiles and clothing trade, intended to phase out decades of protectionism, has been among the one-year-old World Trade Organisation's biggest head-

The work of its Textiles Monitoring Body (TMB), charged with overseeing operation of the accord, was held up for months by wrangling over its composition and rules of proce dure, including an unresolved dispute over voting rights. It has since come under fire

from developing country exporters such as Hong Kong and India which think it should be taking a more robust line in favour of freer trade and are critical of its secrecy. At the same time, the 10strong TMB is struggling to comply with the rules of the pact as negotiated in the Uruguay Round, including the requirement that decisions be taken by consensus of importing and exporting members. Under the agreement,

importers have 10 years to dismantle the complex web of bilateral trade restrictions under the Multi-Fibre Arrangement (MFA) which in 1994 governed the bulk of the \$270bn international trade in textiles and clothing. But a year into the accord, there has been no significant trade liberalisation for Third World textiles exports.

Moreover, last year saw a barrage of new quota measures by the US, the world's second largest importer after the EU, in direct contradiction to the spirit, and sometimes the letter, of the agreement. The WTO textiles pact provides for the "integration" of



textiles and clothing into the global trading system in three stages over 10 years. It is not renewable, but the timetable leaves until January 1 2005 the "integration" of almost half of all textiles and clothing, by

The US and EU have also chosen to "integrate" first those items which already enter their markets without hindrance. Since nearly half their imports are currently unrestricted, existing quotas need not be dismantled until the third stage of liberalisation in 2002.

The EU has not ruled out a more rapid lifting of quotas, but it is contingent on exporters taking further steps beyond agreed measures to relax their own barriers to imports of textiles and clothing.

The US, by contrast, has already published its 10-year liberalisation schedule which leaves the integration of 70 per cent of imports by value to the very end of the transition period. Critics argue that postponement will increase domestic industry's resistance to the eventual removal of controls.

After six renewals of the MFA since 1974, the US textiles industry may have been fulled into a false sense of security, says one Asian trade diplomat. "The penny hasn't dropped that this time the end of restrictions really is in sight."

These worries have been underscored by 24 US quota "calls" last year, imposing new restrictions on 14 developing country suppliers in Asia, Latin America and the Caribbean under a safeguard clause in the textiles accord.

The safeguard, which is sup-posed to be used "as sparingly as possible", allows countries to impose new import quotas on products not yet integrated if the domestic industry is suffering or threatened with "serious damage".

To the relief of exporters the

TMB, which has to review all safeguard actions, demanded convincing evidence of "serious damage". Of the 24 "calls", the TMB rejected three and the US withdrew a further seven at its own initiative. In 11 other cases agreement was reached between the US and the supplying country.

However, three cases are still in limbo. In one the TMB agreed there was no serious damage but said there was an actual threat of serious damage to the US industry. In two other cases no serious damage was found. However, the TMB could not agree whether or not

there was a threat of damage. In what is now seen as a serious lacuna, the textiles agreement says nothing about what should happen when there is no TMB consensus. Thus the US has continued to maintain the restrictions in the latter two cases.

Hong Kong has publicly criticised the TMB for not ruling against the US quotas. But WTO officials stress the need for the TMB to avoid action which could undermine its neutrality and legal credibility, especially in view of strong anti-WTO forces in the US Con-

"The rulings should be credible and transmit the right message", says one official, noting that the US has made no new calls against WTO members in recent months, and that no other country has followed Washington's lead. For many exporters, how-

ever, the message has not been strong enough. They argue that the new system, while enabling poor nations to challenge some quota decisions, is failing to promote a more orderly progression to freer trade in textiles.

Trade officials warn that this discontent risks spilling over into the WTO's first ministerial meeting in Singapore next December. "A number of developing countries may not accept new WTO negotiations without concessions on textiles." says one.

WORLD TRADE NEWS DIGEST

ABB wins Italy power order

ABB, the electrical engineering group, has won a \$470m order to build Italy's first plant to produce electrical power from oil refinery residues. The 260MW low-emission combined-cycle plant will be built at an oil refinery in Falconara owned by Anonima Petroli Italiana (Api), Italy's main privately owned

oll refining company.

The order was placed by Apl Energia, a 50-50 venture formed between ABB and Api to develop the overall project. The plant will use heavy oil residue to produce fuel for gas turbines and will supply steam to the refinery and power to the national electricity grid of Italy's state electrical utility. Eucl. AB8 Energy Ventures and ABB Project and Trade Finance put together the financing for the overall project, valued at more than \$800m. International banks, including the European Investment Bank will finance 75 per cent of the project with the remainder financed by ABB and Api. ABB in eastern Europe, Features page

Italy makes music piracy attack

Record producers have recruited a leading Italian anti-plracy experts to spearhead a \$1m campaign to combat music pirates who now account for one in three of all recorded music sales in Italy. Mr Enzo Mazza will be secretary-general of the newly formed Federation against Music Piracy, which opened its office in Milan on January 1 under the auspices of Ifpi, the international association of record producers, and Fimi, the

national industry body.

Since 1992, Mr Mazza has been co-ordinator of the Italian anti-piracy campaign for the Business Software Alliance, which pursues software pirates and has cut software piracy in Italy from 80 per cent to 50 per cent of the market.

If said yesterday that Mr Mazza and his colleagues would "track the crime networks that feed off piracy: gather evidence on pirate activity and hand it to Italian magistrates; and press for rapid closure of illegal operations and, if necessary, mass prosecutions.". Andrew Hill, Milan

Daewoo plans Spanish plant

Daewoo, the Korean industrial group, will locate a Pta31bn (£256m) plant to manufacture refrigerators in Spain. Mr Joan Sala, head of Daewoo Electronics España, the group's Spanish distributor, said Spain had been selected in preference to alternative sites in the UK. France and Italy. The plant will be the first to build Daewoo refrigerators outside Korea and will produce 600,000 units a year. The only other Korean industrial plant in Spain is a Samsung video manufacturing unit outside Barcelona, Catalonia and the Basque Country were the frontrunners for the Daewoo plant. Kvaerner, the Norwegian engineering and shipbuilding group, is part of a Scandinavian joint venture awarded a contract worth more than \$35m to supply equipment for the Song Hinh power station in Vietnam.

Kvaerner's share of the contract won in collaboration with ABB Generation of Sweden is worth more than \$20m. It is the Norwegian company's first hydro-electric power equipment order in Vietnam. Andrew Taylor, Construction Correspondent ■ Toshiba of Japan will invest Y500m to expand production capacity at its German plant to start manufacturing insulated gate bipolar transistors, a key component of electrical power control equipment. AFX News, Tokyo

■ Nova, the Canadian pipeline and petrochemicals group, is competing with Mitsui of Japan and British Petroleum to build and operate a \$1bn ethylene and polyethylene complex in the Robert Gibbons, Montreal United Arab Emirates.

NEWS: INTERNATIONAL

Donors pledge extra \$865m of aid to Palestinians

By David Buchan in Paris

Some 50 countries and international organisations yesterday pledged an extra \$865m of aid to the Palestinians, more than enough to cover the Palestinian Authority's programme of \$500m worth of projects and its anticipated \$75m deficit this year. Mr Hervé de Charette, the French foreign minister, said the larger-

"a strong signal" of international

the Palestinian elections due to take place in the West Bank and Gaza Strip on January 20.

The positive atmosphere at yester-

day's Paris donors conference was only marred when Mr Yassir Arafat, president of the Palestinian Authority, Mr Ehud Barak, the Israeli foreign minister, and the donors represented by Mr Bjorn Godal, the Norwegian foreign minister, came to sign an updated version of their

support for the peace process before 1995 Tripartite Action Plan on the

use of the aid.

Mr Arafat jibbed at the reference giving Israel an unqualified right to close the borders temporarily to the Palestinian territories for security reasons, complaining that such closures had a serious impact on the Palestinian economy. But he con-fined himself to making an oral reservation about frontier closures. saying that he hoped this would be heeded by Israel.

Mr de Charette noted that, together with some \$500m in aid pledged earlier but still unspent. yesterday's financial pledges brought to \$1.365bn the amount of foreign aid available to the Palestinians for the period between now and March 1997.

Mr Arafat, thanked the donors and said he hoped they would honour their commitments. Not all aid pledged, such as the same ised in 1993, has been forthcoming. ged, such as the \$2.3bn promThe biggest pledges yesterday came from the European Union with \$120m. Saudi Arabia with \$100m, the World Bank with \$90m and the US with \$71m.

Mr James Wolfensohn, president of the World Bank, which is co-ordinating the aid, said the priority projects included housing, trans-port, water, sewage and health. Various donors have pledged aid in kind, particularly technical assistance responding to their specialities, such as Dutch and German help in improving the port of

Referring to the newly revised Tripartite Action plan, a joint statement said "the government of Israel will assist and facilitate Palestinian economic development".

At a press conference, Mr Barak said "We are going to honour our commitments, and we expect the Palestinians to do the

Global accounting standards step closer

By Jim Kelly, Accountancy Correspondent

The recognition of international accounting standards as a force in global financial reporting took a further step

India

12.5

forward yesterday. The US Financial Accountand the International Accounting Standards Committee (IASC) announced that they had approved similar draft codes on the disclosure in annual accounts of earnings

per share. Earnings per share, broadly the after-tax profit attributable to each share in a company, is one of the key performance indicators favoured by the users of accounts. International comparability would

mark a major improvement.

The two standard-setters had been working on parallel pro-jects since 1994 - providing further evidence of increasing co-operation in the interests of global harmonisation.

The support of the US authorities is seen as vital for the success of the committee's plan to develop a set of standards acceptable to the world's securities regulators by 1999.

"Harmonisation of accounting requirements becomes much more straight-forward when standard setters are able to co-operate in this way," said Sir Bryan Carsberg, secretary-

general of the IASC. "I will be working to ensure there is much closer co-operation between IASC and standard setters in North America, Europe and elsewhere as we work towards our goal of global accounting standards for use in cross-border listings

in markets throughout the world," he added. Both exposure drafts would require disclosure of basic earnings per share and diluted earnings per share as a mea-sure of performance. Both would also require additional disclosures which warn of the potential dilution of earnings

per share. Differences between the drafts will be reviewed after comments have been received. Both drafts will have the same deadline for comment.

Shin Bet resignation raises | Allies fall out on Africa's Horn questions for security probe

The carefully timed resignation of the head of Israel's Shin Bet has restored some credibility to the internal security agency but raised questions about the inquiry investigating the security lapses in the assassination of former Prime Minister Yitzhak Shin Bet has been racked by doubt since Mr Rabin's assassi-

nation exposed breaches of security in the protection of the prime minister and a failure of intelligence gathering about right-wing extremists involved in the assassination. The Shin Bet chief - identified in Israel only by the Hebrew initial "Kal" - offered to resign twice after Mr Rabin's death but the offer was refused by Prime Minister Shi-

mon Peres. His resignation now puts Kaf in a better position to defend himself before the commission inquiry which he believes has

aiready found him guilty. Kaf's personal reputation rose after the killing last Friday of Mr Yahya Ayyash, the Palestinian bomb maker responsible for scores of Israeli deaths. Although Israel has not publicly accepted responsibility for the death of a man who for more than two years topped the Shin Bet's most wanted list, it is widely believed the agency was behind it. Kaf has also taken credit for tracking down the Palestinian mastermind of last year's Belt Lid bus stop suicide bomb which killed

Despite signs that the agency is functioning efficiently, Kaf's personal role in the failures



An Israeli newspaper shows the disguised former security chief

surrounding the Rabin assassination have been questioned

Security officials said Kaf was deeply upset by the way he had been treated by the three-member commission. He was also angered by a letter sent by the commission last month, warning Kaf and five other agency operatives that they might be harmed by the panel's findings. He became convinced that the commission was likely to make him a scapegoat and recommend his dismissal so he decided to save himself the humiliation of being sacked and resigned to defend himself as an ordinary

citizen. Mr Nahum Barnes, a widely respected commentator, said in a newspaper column yesterday: The resignation letter from Kaf...landed like a Kamikaze plane on the deck of the com-

mission of investigation. Kaf is a man of honour. He is also a clever man. With the help of these two qualities he has managed to emerge honourably from a battle which was lost from the start. His resignation was a pre-emptive strike. For a short time, at least, he has turned himself from accused into accuser... (and he has) made harsh accusations against the commission."

Senior government officials have also rallied to Kaf's defence. Mr Moshe Shahal, minister of internal security. said yesterday that he had restored the Shin Bet's reputation before he quit. "The Shin Bet recovered quickly after the blow of Rabin's assassination and I think it has returned to the level of operations it is

renowned for. Kaf is likely to be succeeded by a senior military officer.

Michela Wrong on territorial tensions between Eritrea and Yemen

spate of diplomatic activity over the past 10 days with Mr Boutros Boutros Ghali, UN secretary-general, shuttling between Eritres and Yemen in an attempt to settle a territorial dispute that has cost a dozen lives. The focus of his efforts - and

those of Mr Meles Zenawi, the Ethiopian president, and Mr Amr Moussa, the Egyptian for-eign minister, among others -are Greater and Lesser Hanish, two small, sun-blasted Red Sea islands that hardly seem to merit two former allies coming But the Hanish islands repre-

sent far more in terms of hid-den resources than their barren appearance would suggest. And for those trying to ensure there is no repeat of the fighting that exploded in mid-December, their sensitive loca-tion near busy shipping lanes carrying oil from the Gulf to Europe endow them with a potential for trouble out of all proportion to their size.

The same distance from both countries, the islands were of little interest throughout the 30-year war the Eritrean People's Liberation Front (EPLF) waged against Ethiopia's occupying army. The EPLF, then on good terms with Yemen, says it used them as a base for operations on to the mainland. All that changed after 1991, when the EPLF liberated the country and Eritres became Africa's newest nation - and one of its poorest. Determined to rebuild its war-shattered economy, the government in Asmara swiftly identified its 1.200km of coastline as a prime

resource ripe for exploitation.



The problem is that partly because of the years of turmoil, national coastal waters were never defined after British administrators pulled out of both countries, leaving the limits of ownership to be deter-mined by habit and tradition. Yemen says that in 1973, when Egypt was preparing for war vith Israel, it signed a deal giving Cairo permission to use Greater Hanish.

The full potential of these waters remains a mystery, as the war kept investors away. But seismic surveys carried out by Gulf Oil, Mobil and Esso in the 1960s revealed the pres-The Eritrean government

has signed a \$28m, seven-year contract allowing Anadarko, a Houston-based consortium in which Algeria's state-owned Sonatrach holds a stake, to explore waters further north, around the Dahlak Islands, and has also been in talks with Mobil and Amoco over a con-

French company Total already has oil exploitation projects in Yemen and has begun preliminary work on what could result in a multi-billion-dollar project to export gas from Oil is not the only resource waiting to be tapped. The warm waters off Eritrea hold up to 1,000 different species of fish. Virtually untouched since

> "In the 1950s Israeli companies were exporting 25,000 tonnes of fish a year from Eri-trea," said Mr Saleh Meky, Eritrea's minister for marine resources. "At the time they estimated a possible yield of 50,000-55,000. Now we're assuming we could export 80,000

the 1950s, stocks have built up and Israeli companies which used to enjoy a monopoly in Eritrea, regard them as a promising alternative to the Mediterranean's over-fished

The Eritrean government still needs to evaluate its stocks and suffers from a desperate shortage of fishing vessels, cold storage, processing and transport facilities vital to the industry. Meanwhile British Saudi, Greek, Dutch and Israeli companies are already operating in the waters.

In the long term, Asmara also believes the coast offers huge potential for tourism. The 354 islands off Eritrea are famed for their clear waters, underwater life and stunning coral formations and already attract small numbers of yachtsmen and scuba divers. Yemen's awarding of a licence to an Italian diving company to operate off the Hanish islands particularly incensed Asmara. Of more commercial impor-

tance, perhaps, is Eritrea's vicinity to the Middle East: as a secular state with no laws against alcohol it is well placed to attract Saudi visitors wanting to escape the strictures of Islam. A US project to build a casino, hotel and sports com-plex on the Dahlak islands for

\$200m-\$300m is being debated

With so much at stake, little

by the government.

wonder that when Yemen landed troops there in November and started building, Eritrea's hackles rose. Last month President Isaias Afewerki said the move was "tantamount to occupation" and accused his former ally of trying to profit from the temporary weakness of a newly formed country that had neither navy nor airforce. Despite such handicaps Eritrea succeeded in mustering a force that besieged the islands and captured more than 200 Yemeni soldiers, a reminder that four years of peace have not dulled the Eritrean ability

International pressure is now on the two countries to settle the dispute, with France, which has troops stationed at its base in nearby Djibouti, the latest country offering to mediate. If Eritrea and Yemen can

to wage war.

agree on a timetable to withdraw their troops from the area, the question of ownership of Greater and Lesser Hanish will probably be settled by arbitration, perhaps at the International Court in the

But until coastal waters are legally delineated to both countries' satisfaction, there remains plenty of room for further bickering in this vital



China's U-turn offers boost for HK economy

By Simon Holberton In Hong Kong

Nothing is ever quite as it seems when it comes to Sino-British talks about Hong Kong. So the surprise news from Bei-jing last night that China had withdrawn its objections to the further development of the col-ony's container port might yet contain disappointments.

But taken with China's apparent concession on the right of abode in Hong Kong that all who are entitled to it now will possess it after the handover in 18 months' time -Mr Malcolm Rifkind, foreign secretary, and Mr Qian Qichen, his Chinese counterpart, appears to be one of the most successful in years.

Hong Kong was chosen by the British 150 years ago because of its deep water port. Today the harbour, which is the world's biggest container port, still drives the Hong Kong economy, supporting the required to shift the cargo

flowing in and out of China. Any move towards a resolution of the impasse surrounding the construction of the port's ninth container terminal (CT9) - which is estimated to cost around HK\$10bn (£830m) is unambiguously good news for the Hong Kong economy. Given the passion surrounding China's original blockage of CT9, a resolution would mark a turning point in Hong Kong relations with Beijing.

Mr Gian's apparent concession took Hong Kong government and company officials by surprise. "I'll believe it when I

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Malcolm Rifkind, British foreign secretary (right), escorts Qian Qichen, his Chinese counterpart, before talks in Beljing's state guesthouse yesterday

understand what [Mr Qian's] words mean," said a spokes-man for Jardine Matheson, one of the key compenies in CT9. "It all sounds too good to be true," a Hong Kong government official added.

in late 1992 CT9 - a four container berth facility - was awarded to three groups. Mr Li Ka-shing's Hongkong Interna-tional Terminals (HIT) was awarded one terminal and Mr Peter Woo's Modern Terminal

(MTL) another.

The Tsing YI Consortium — which includes two units of the Jardine Matheson group as well as SeaLand, a US transport company, and Sun Rung Kai Properties and New World Development, both large group. Development, both large property developers - was awarded two terminals.

The award of the contract to Jardine, which has been part of Hong Kong's history since

the early 19th century when it was an opium trader, got caught up in the furore surrounding Governor Chris Patten's democracy plans for Hong Kong. Mr Henry Keswick. Jardine's London-based chairman, openly supported Mr

This stoked China's anger which had already been fuelled by reports that Jardine had lobbied hard in London for the removal of Lord Wilson, Mr Patten's predecessor. Beijing, through its media outlets in Hong Kong, accused the Hong Kong government of rewarding Jardine with a slice of the port because of its support for Mr gained a role in the port on the back of a Hong Kong government policy aimed at increasing waterfront competition. CT9 was meant to have been

completed last year. It was

unclear last night whether Mr Qian's comments presaged an immediate go-ahead for the terminal. Mr Qian said China would accept whatever agreement the owners of the container port could reach. This was a reference to intercompany talks about the possibility of reshuffling ownership of various container

Currently HIT and MTL dominate the port, owning all but one-and-a-half of the existing eight container terminals. Ownership of facilities is not contiguous and the Hong Kong government believes that greater efficiencies might be achievable if they were.

The companies last Friday met Mrs Anson Chan, chief secretary, but could not agree. China's decision to remove its veto over the port might have

Japan reviews nuclear plans as hopes fade for 'dream' fuel

ment's nuclear policy, based on rosy hopes of plutonium being a "dream fuel", is turning into a nightmare. An accident last month at the country's newest and most powerful nuclear reacto prompted a huge outcry which is forcing a review of the conn-

try's nuclear strategy.

A leakage of sodium, a volatile but efficient cooling agent used in Monju, Japan's experimental fast breeder reactor which is the centre-piece of the country's next generation nuclear programme, has heightened anti-nuclear sentiment among the Japanese pub-

Mr Yasuoki Urano, director general of the Science and Technology Agency (STA), nuclear energy strategy, con-ceded last week that relaunching Monju's operations would need to be reviewed along with the nuclear recycling programme under which used uranium nuclear fuels are reprocessed into plutonium for further use in fast-breeder reactors. Monju, built and fuelled by private sector companies, is run by an operating company of the STA.

Immediately after the leakage at the beginning of Decem-ber, which led to the reactor being closed down, Mr Urano had rejected any change to the country's plutonium programme. However, the govern-ment has been unable to ignore the alarm and distrust among the public caused by

Local residents are calling for permanent closure of Monju, named after the Japanese goddess of wisdom, after attempts by the reactor's oper-ators to hide video tapes of the damage from the media, which were not seen on television until a week after the accident.

The operators are also accused of intentionally delay-ing notifying local and central government officials of the

The rising power of nuclear energy

age is not considered viable.

However, the Japanese pub-

lic has become increasingly

alarmed by the international

been reprocessed by British

Nuclear Fuels of the UK and

Cogema of France back to

largest customer and has

shipped more than 2,300 tonnes

of used nuclear fuel to Sella-

field in north-west England to be reprocessed into plutonium.

he shipments of the

be to use the plutonium to

Aside from apprehension over the safety of handling plu-

tonium, the recycling of used

criticised for being expensive

and unnecessary at a time when nuclear fuel prices and

the cost of other fuels are fall-

build nuclear weapons.

The rise in anti-nuclear sen-timent has pushed up the cost of nuclear power construction as local residents, industries and municipal governments have demanded compensation. controversy caused by ship-ments of plutonium that has For example, local fishing associations have been compensated for loss of earnings while in some cases sports facilities Japan. Japan, which lacks a full recycling capability for its used nuclear fuels, is BNFL's have been provided for

aggrieved residents. Still, a third of Japan's energy consumption comes from nuclear power, and recycling used nuclear fuels has been the focus of the government's power generation policy since the late 1950s. Japan is today the world's third-largest producer of nuclear power after the US and

Japan's nuclear recycling policy was drawn up by offi-cials hoping to achieve the country's goal of becoming self-sufficient in energy. Recycling used nuclear fuel into plutonium, which would produce more plutonium when used as fuel, was an ideal source of energy for a country dependent on imported fuels. The government has also argued that recycling is the most efficient way of handling

plunged as a result of discov eries in Canada and Australia and some analysts believe the world's uranium supply will Supplies from de-activated nuclear weapons of the former Soviet Union have added to the

Moreover, the huge costs involved in supporting the plutonium programme have also started to burden the private sector companies, which build Japan's nuclear facilities and supply the fuel. Monju, which has a capacity of 280MW, cost Y590bn, about twice the price of the older 500MW reactors that Japan uses for most of the rest of its nuclear production. are spending more than Y1,200bn on Rokkasho, a nuclear complex in northern Japan, which includes nuclear waste storage, enrichment, and

The electric power industry last year scrapped a plan conceived in the 1950s to build an advanced thermal converter reactor, which was intended to until the next generation nuclear reactors including the fast breeder reactor were devel-oped. Although an experimental advanced thermal converter reactor was launched in 1979, the power companies abandoned the project because of its high construction and power with traditional reactors.

highly radioactive plutonium have put Japan's Meanwhile, the adverse nuclear policy under scrutiny, domestic climate caused by Monja is likely to prompt raising fears of attacks by terrorists. The Japanese government itself has also been forced to try to defuse suspioverseas, especially to develop-ing countries, such as Indon-esia, for new business. cions that its intention might

of technology in constructing nuclear power plants, it's important to use it," says Mitsubishi Heavy Industries, which has no orders after a nuclear power plant it is currently building for Kyushu Electric Power.

ASIA-PACIFIC NEWS DIGEST

China criticises Taiwanese visit

China condemned Washington yesterday for its "erroneous" decision to grant a transit visa to Mr Li Yuan-zu, Taiwanese vice president. Stressing that the Taiwan question was "a very sensitive issue", Mr Chem Jian, China's Foreign Ministry spokesman, said Mr Li's application for a stopover next week in the US en route to Guatemala was a pretext for promoting Taiwan's bid to "create two Chinas". By granting the transit visa on Saturday, Mr Chen said the

US government had "violated" Sino-US accords on Taiwan, challenging China's sovereignty and territorial integrity. "In disregard of the resolute opposition and solemn representations made by the Chinese side, the US side still went ahead with its erroneous decision," Mr Chen said. His remarks were noticeably less strident than the invective Beijing directed at Washington for allowing Taiwan's President Lee Teng-hui to visit the US last June. AFP, Beijing

India to build its own tank ---

Mr P V Narasimha Rao, Indian prime minister, yesterday ordered production of India's first indigenously built main battle tank, indicating that any future war with Pakistan could still be fought along conventional lines despite the alleged nuclear capabilities of the two countries. Senior defence officials said the Arjun, named after a mythical Hindu warrior, would eventually compete with western counterparts on the international arms market.

Pilot error 'caused HK crash'

A pilot used forward instead of reverse thrust ditching his China Airlines Boeing 747 into the sea off the end of Hong Kong's Kai Tak airport two years ago, a report into the accident concluded yesterday. All 296 people aboard the flight in November 1993 were rescued from the aircraft, which veered off the runway and into the waters of Hong Kong harbour. Ten sustained injuries, which occured as a storm Reuter, Hong Kong

lashed the colony. ■ China's industrial output rose 13.4 per cent in 1995, but the growth rate was down 4.1 percentage points from the previous year, the State Statistics Bureau said. Reuter, Beijing

Foreign car imports jumped 79 per cent to 6,921 units last year in South Korea, spurred by eased import barriers and improved consumer perception, sales agents said. They still represent only 0.7 per cent of the market.

■ Orders for Japanese machine tools rose 26.7 per cent in November from a year earlier, the Japan Machine Tool Industry Association said. Domestic orders rose 20.4 per cent, while foreign orders climbed 33.9 per cent.

Union sell-off protest overridden

Sri Lanka acts to restructure phone authority

By Amal Jayasinghe in Colombo

Sri Lanka yesterday appointed an international consortium of investment bankers, lawvers and auditors to restructure its cash-strapped telephone authority ahead of privatisation, despite trade union pro-

Mr Mangala Samaraweera, telecoms minister, said the state-run Sri Lanka Telecom (SLT) needed \$400m for expansion in the next 18 months, but the government lacked capital and was forced to look to pri-

"Privatisation of Sri Lanka Telecom is non-negotiable," the minister said, rejecting union pressure against selling off the telephone company. "What we are trying to do is to

find out how best to do it." Shortly after his remarks, an estimated 1,500 workers from SLT and several other public utilities, including water and electricity, staged a demonstration outside Colombo's main railway station protesting against privatisation.

The government hopes to raise Rs21bn (\$420m) this year from the sale of state enterprises, including the national carrier AirLanka, Sri Lanka Telecom and several tea and rubber plantation companies. Telecoms unions cited the example of Singapore's statecontrolled and efficiently run

Lanka Telecom, although some 11 per cent of Singapore Telecom was sold to the public in 1993. The minister rejected the comparison. "If we follow the Singapore example we will first have to ban all (independent) unions," Mr Samaraweera said. "I hope we will never have to follow Singapore in this respect.

ment against privatising Srl

The minister said the restructuring of SLT will be undertaken by investment bankers led by Deutsche Mor-gan Grenfell and Development Finance Corporation of Ceylon, the accounting firm Deloitte Touche Tohmatsu International and the law firm Slaughter and May.

The consortium has been asked to advise the government how best to divest SLT which Mr Samaraweera said had been earning an unsatisfactory 12.5 per cent return on its investment and therefore would be unable to pay for new projects to expand its services.
The minister said SLT would

be able to provide only 400,000 new phone connections by 1997 because of serious financial constraints, although demand was for well over 1m extra

Reporters at yesterday's press conference pleaded with the minister to be allowed to jump the queue for connections. Some potential phone subscribers have been waiting Singapore Telecom as an argu- 10 years for a line.

Minister in housing loan scandal

received money from a property company deeply in debt to some of Japan's troubled housing loan companies.

Mr Yoshitaka Murata, parliamentary vice-minister at the Economic Planning Agency, said he had received Y20m (£190,000) in director's remuneration from Meisei, an Osaka-based real estate company, between 1989 and 1995. Meisel owes more than Y60bn to four

housing loan companies, most of which it is now unable to repay. Mr Murate was a career bureaucrat in

the finance ministry before running successfully for office in 1990 as a Liberal Democratic party member. He joined the planning agency in August.

The disclosure is a further embarrassment to the Japanese government, at pres-A junior minister in the Japanese entembrolled in a controversial scheme to government admitted yesterday he had spend at least Y635bn public money to hall politically responsible for failure to regured money from a property company out Japan's housing loans companies, late properly the housing lenders while he many of which are have collapsed under a pile of non-performing loans to companies such as Meisei.

Allegations of connections between LDP politicians and housing loan companies have been rife in recent weeks, but Mr Murata's links are the first to have been

confirmed. The news seems certain to intensify public hostility to the planned bailout. As part of the fiscal 1996 budget, the money must

be approved by parliament by the end of March, but the plan is set to receive a Opposition parties have promised to step

leader of the LDP, is elected prime minister tomorrow, as widely expected. Mr Hashimoto is accused of having been

was finance minister between 1989 and Mr Murata said yesterday he had joined

the board of Meisei in 1969 after leaving the finance ministry, and had received Y5m-Y6m in annual fees from the company. He had tendered his resignation in 1992 when he had been asked to do so by the company's president.

Company officials said that as a result of

clerical errors. Mr Murata was registered as a director until last month.

-3.9 -2.4 -3.8 -4.1

-0.6 0.7791

-1.1 0.7974

0.8261

0.8227 0,8271 0,8359

0.8261

He promised to repay the Y20m forthwith, saying he had been unaware the company had borrowed money from the housing loan companies.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

up their attacks if Mr Ryutaro Hashimoto,

	W UNIT	TED ST	TATES			E JAP	/W					GER	MANY			
	Esperia	Valido trado belanços	Chirant account balance	figs explosive rate	Effective macketige rate	Separts	Visible trade intrace	Correcti account between	Eco anchergo rate	Etective exchange rate		Esports	Visite Iradio Iradio Iradioscii	Carrent account believes	Equi contracts rate	Elizabe Mariengo (Site
1985	279.8	-174.2	-163.0	0.7623	100.0	228.2	73.5	64,5	180,50	100.0	_	242.7	33.2	22.5	2.2260	100.0
1986	231.0	-140.6	-153.4	0.9836	81.4	208.9	94.2	87.2	165.11	127.7		248.5	53.5	41.3	2.1279	108.6
1987	220.2	-131.8	-144.1	1.1541	71.9	194.7	83.7	75,5	168.58	138.8		254.4	56.7	40.D	2.0710	114.9
1988	272.5	-100.2	-107.4	1.1833	67.0	218.7	79.8	67.0	151.51	153.7		272.6	61.4	41.9	2.0739	114.1
1989	330.2	-99.3	-94.3	1.1017	70.0	245.5	70.6	53.4	151,67	147.0		310.1	65.2	52.0	2.0681	113.3
1990	309.0	-79.3	-72.7	1.2745	66.7	220.0	50.0	28.5	183.94	132.5		324.3	51.7	38.5	2.0537	118.1
1991	340.5	-53.5	-6.0	1.2391	65.7	247.5	63.3	62.A	168,44	143.7		327.3	11.0	-15.8	2.0480	117.1
1992	345.9	-65.2	-47.5	1.2957	64.4	254.8	102.1	90.4	164.05	150.7		330.5	16.6	-16.7	2.0187	120.5
1993	397,3	-98.7	-85.4	1.1705	66.3	300.0	120,8	111.1	130.31	181.0		323.0	31.4	-13,4	1.9337	125.3
1994	432.3	-127.0	-127.6	1.1857	65.1	323.5	122.5	108.8	120.99	194.9		356.8	37.9	-17.1	1,9198	125.6
4th qtr.1994	110,8	-32.3	-35.1	1.2346	63.3	B1.1	28,5	24.4	122.03	197.6		93.2	9.3	-4.4	1.9056	127.3
1st qtr.1995	111.4	-32.6	-30.9	1.2619	62.7	82.0	27.7	22.8	121.16	202.1		94.4	11.9	-2.0	1.8645	131.1
2nd qtr.1995	110.1	-33.1	-32.8	1.3175	59.0	87.5	29,1	23.4	111.31	225.3		99.1	12.6	-1.4	1.8402	133.3
3rd qtr.1995	113,3	-31.2	-30.3	1.3020	51.0	81.2	25.3	22.7	122.36	203.7	_	99.0	12.7	-7.1	1.8624	131.7
December 1994	38.9	-8.9	n.a.	1.2126	B4.4	27.9	2,8	8.6	121.44	198.6		31.5	2.0	-2.1	1.9054	127.3
Jenuary 1985	36.8	-12.0	n.a.	1.2374	64.0	25.8	8.4	7.6	123.32	196.1		30.8	5.1	-0.4	1.8929	128.7
February	37.2	-10.7	n.a.	1.2455	63.3	28.7	9.6	8.2	122.27	198.1		32.0	3.8	-1.5	1.8898	130.0
March	37.4	-9.9	ILS.	1,3029	60.8	27.5	9.6	7.0	117.89	211.3		31.6	2.9	-0.1	1.8308	134,4
April	36.0 37.6	-11.1	n.a.	1.3055	58.7 59.1	29,1	8.8	6.2	111.24	226.8		32.9	4.7	-0.9	1.8320	134.5
May	36,6	-10.8	n.a.	1.3192	59.0	29.0	9.9	8.0	111.17	224.4		32.1	3.8	-0.1 -0.5	1.8420	132.9
June	35,3	-11 <i>2</i> -11.5	n.a.	1.3335	59.2	29.4 26.7	10.4 7.8	9.2	111.51	225.1		34.2	4,0 3,8	-3.0	1.8465	132.7 133.0
July Aucust	38.5	-9.7	n.a.	1.2954	61.3	28.1	9.5	7.2	116.38	217.2 202.6		32.5	4,2	-2.6	1.8511 1.8705	
September	39.8	-10.0	n.a.	1.2772	82.5	26.5	8.1	8.7 6.8	128.19	191.6		34.5	4.5	-1.5		131.1
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1986	127.1	0.0	3.0	6.7946	102.7	99.4	-2.5	-1.4	1461.6	101.4		108.3	-14.2	-1.3	0.6708	91.1
1987	128.3	-4.6	-3.7	6.9265	102.7	100.7	-7.5	-2.1	1494.3	101.1		112.3	-16.4	-7.1	0.7047	89.3
1988	141.9	-4.7	-3.4	7.0354	100.6	108.3	-8.9	-8.0	1536.8	97.7		120.9	-32.3	-25.0	0.6643	94.7
1989	162.9	-6.3	-3.6	7.0169	99.6	127.B	-11.3	-17.0	1509.2	98.6		137.D	-36.7	-33.5	0.6728	91.9
1990	170,1	-7.2	-7.2	6.9202	103.8	133.6	-9.3	-18.0	1523.2	100.1		142.3	-26.3	-28.6	0.7150	
1991	175.4	-4.2	-4.9	6.9643	102.1	137.0	-10.5	-17.7	1531.3	98.7		147.7				8.98
1001	170,4	-+2	-4.3	0.3043	IUE.1	137.0	-10.5	-17.7	1031.3	80.7		147,7	-14.7	-11.7	0.7002	90.5

President Kim admits 'wrongdoing'

South Korea's President Kim Young-sam yesterday admitted wrongdoing in connection with political support he received before he became president, but denied taking dirty money or accepting bribes. Renter

reports from Scoul. Kim did not directly address the issue of whether he dipped into a \$654m slush fund his predecessor, Mr Roh Tae-woo, has confessed to amassing

while in office. Mr Kim said he took help from supporters for political activities before he was elected president in 1992. No politician, including myself, could never, however, received any accepted financial aid.

dirty or shady money. Nor President Kim did not elabo-have I received a single won rate on his "wrong practices", (cent) that came with strings attached or that was tied to

any business interest." Mr Roh is on trial for allegbusiness to build his slush In a televised address, Mr fund. Heads of seven congionerates are on trial with him. Another former president, Mr Chun Doo Hwan, is expected to be indicted on similar charges.

South Koreans had hoped Mr Kim would clear the air about whether Mr Roh's money helped fund his 1992 election campaign. Mr Kim Dae-jung, his political rival, confessed to taking several million dollars have avoided such wrong prac-tices as these," he said. "I have admit that he too, might have mutiny stemming from a 1979

President Kim did not elabonor give any indication what kind of support he received or

who offered it to him.
"Kim's speech looks like it edly accepting kickbacks from was designed to bring an early resolution of the current political turmoil," said Mr Kim Heung-shik of Hyundai Securities. "The political scene is likely to change for the better," Mr Choi Seung-ho of Daewoo Securities said.

Mr Kim expressed condolences for the suffering caused by a 1980 army massacre of pro-democracy demonstrators in the city of Kwangiu. Former presidents Chun and Roh have been indicted for alleged coup that led to the killings.

Referring to his disgraced predecessors, President Kim claimed their alleged actions had generated a deep sense of

anger and despair.
"It is a great misfortune for the nation to arrest and try | 3rd qtr.1985 former presidents. But unless we go through this process, we will not be able to correct the wrongs of history," he

December 1994

18.0

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6.4424 6.4322 6.4344 6.4104

0.3 0.5

110.7

114.6 112.2 113.1

114.3 114.1 113.7 113.6

Mr Kim lambasted North Korea for pleading for international food aid while building an immense military machine.
"It is a crime and a betrayal of the Korean people for North Korea to hope to receive aid from the international community while pouring all its national resources into maintaining its military power."

Following introduction of the Single Market, EU countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonably adjusted, except for the halten swites and the German current account. Imports seen be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB fires on board) basis, except for German and Italian imports which use the CEF method (including corriage, insurance and freight charges). German data up to and including June 1990, arrown in Railica, refer to the tormar West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Detastment and WEFA from national government and central bank sources.

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Budget talks go into make-or-break phase

By Patti Waldmeir in Washington

Budget talks between US President Bill Clinton and Congressional Republicans were at a crucial phase yesterday, with both sides saying they expec-ted the talks to succeed or fail, but to do so quickly.

Senior Republicans arrived at the White House through the snow yesterday in four-wheel-drive vehicles, to resume talks. Mr Mike McCurry, White House press secretary, said the talks had reached a stage where "they're either going to get an agreement or they're not". Mr Bob Dole, Senate majority leader, agreed, saying he expected negotiators to know by the end of the day whether a deal was possible.

Ahead of the talks, senior Republican leaders were taking a hard line, saying it was "up to the president to make a deal." In a move to increase pressure on the president, they

hinted they might seek a deal with conservative Democrats in Congress if the White House halked

On Monday, when Mr Clinton met congressional Republicans at the White House, the two sides had moved toward each other in disputed areas such as spending on Medicare and Medicaid, welfare and other programmes, and tax

But Mr John Kasich, House budget committee chairman, made clear the Republicans were not prepared to move much further. "This is about as close to a last offer as you can get," he said. Republicans had offered

Medicare savings of \$168bn over seven years, \$33bn less than their previous offer, but this still left a \$66bn gap between their proposal and Mr Clinton's. They had also pronosed less radical cuts in other areas, but Mr McCurry said there was still "a way to go" in

Reuter reports: Political skirmishes and the weather have left financial traders and private economists bereft for nearly a month of the US government data they rely on to gauge the state of the national

Even when government agencies reopen, it may be several days, or weeks, before they can release the bulk of backlogged economic statistics.

The answer is we honestly don't know," said Mr Larry Moran, economist at the Commerce Department's Bureau of Economic Analysis, when asked when the agency would begin issuing reports such as its revisions to third-quarter gross domestic product.
"The real question is

whether we can even get the third-quarter GDP numbers out before next week." All reports from the agency due out over the next few weeks



Accuser who won't go away: Paula Jones, of President Clinton's home state, still alleges sexual harassment by him

Clinton to appeal over sex case

President Bill Clinton's lawyers said yesterday they would appeal against a decision by a US court which gave the green light to a sexual harassment suit against him, writes Patti Waldmeir in Washington.

The appeal process, which could take months, will probably let the White House avoid political embarrassment from the suit until after the presidential election in November.

Mr Clinton's lawyers have argued that, while serving as president, he should not be forced to testify in the case brought against him by Ms Paula Jones, a former Arkansas state employee. Yesterday, however, a federal appeal court panel rejected this argument: "A sitting president is not immune from civil suits for his unofficial acts."

Ms Jones alleges that Mr Clinton, when governor of Arkansas sexually harassed her during an encounter in an hotel in the state in 1991. Mr Clinton denies any such encounter took place. Yesterday, Mr Clinton's lawyer, Mr Robert Bennett, said he would appeal as far as the Supreme Court, if necessary, Mr Bennett has argued that allowing the case to proceed would establish a precedent of exposing sitting presidents to lawsuits filed by those who disagree with their policies.

Mr Bennett now has two weeks to appeal against the threejudge panel's decision by asking the full circuit court of appeal to consider the matter.

If the full appeal court agrees, both Mr Bennett and Ms Jones's lawyer would be able to argue their cases again - a process that could take months.

If the circuit court declines to hear the case, Mr Bennett then would have 90 days to file an appeal with the Supreme Court. "It is a case I would expect they would hear," he said. "You have some very important constitutional issues here."

Ex-Kidder bond trader faces SEC civil charges

Jett to contest alleged fraud and record-keeping offences

By Richard Waters in New York

The Securities and Exchange Commission yesterday announced civil charges against Mr Joseph Jett, the former bond trader who was accused in 1994 of conjuring up \$350m of false profits at Kidder Peabody, the Wall Street firm.

The US's chief securities regulator also filed charges against two former executives of the US investment bank. Mr Edward Carullo and Mr Melvin Mullin. Both had been criticby Kidder for failing to supervise the trader adequately. By filing an administrative

complaint, the SEC will not

have to present its case before a jury - potentially a difficult task, given the complexity of Mr Jett's trading strategy. The trader was sacked by

Kidder over billions of dollars worth of transactions in the

solely to generate the illusion of profits which had not been earned. The bank accused Mr Jett of using a loophole in its accounting system to create the "profits"

For his part, Mr Jett has claimed he was asked by his superiors to undertake the trades, and that everything he did was clearly visible to Kidder managers.
The SEC's complaint accuses

the former trader of securites fraud and record-keeping

A spokeman for Mr Jett said vesterday that the former Kidder trader was being made a scapegoat and would contest

Mr Jett's spokesman also claimed the SEC, which is normally run by five commissioners, lacked a sufficient quorum to bring the charges. The agency currently has only two commissioners, because of a round of departures, and the

claimed, were undertaken appointment of replacements has been delayed by political wranging in Congress

Mr Jett has made it clear that he intends to use the fact that he is black as an issue in his defence. In the opening sentence of a defence filed with the SEC last autumn, lawyers for the former trader termed him "perhaps the most promi-nent African-American trader on Wall Street".

In the defence, Mr Jett's law-yers argued that all the disputed trades were entered accurately in Kidder's records. and that it was the bank, not the trader, who designed the accounting system.

The discovery in April 1994 that Kidder's profits had been inflated triggered a crisis at the investment bank. This, and the bond market collapse of 1994, eventually led the bank's parent, General Electric, to sell the bulk of its operations to PaineWebber, the US invest-

US begins to emerge from snowstorm chaos

The north-eastern US began digging out from under the worst snowstorm in decades yesterday as snowbound airports reopened, drivers ventured on to slippery roads and frustrated commuters struggled to get to work, Reuter reports from New York.

At least four dozen deaths were blamed on the storm and its aftermath. The blizzard iashed the US eastern seaboard. with gusting winds, icy temperatures, and record snowfalls of as much as 30 inches.

Most deaths were due to heart attacks while shovelling snow or to traffic accidents, officials said. Several people were sent to New York hospitals with carbon monoxide poisoning after sitting in cars with engines running and exhaust systems blocked by

New York airports were back in business by mid-morning after snowploughs cleared 20foot snowdrifts overnight. But a backlog of cancelled flights meant travel would take up to three days to return to normal. officials said.

"We have a ripple effect," Mr George Marlin, Port Authority chief, said. "We have flights from Asia that have been in Anchorage, Alaska, since Sunday, and we have dozens of flights from Europe that have been sitting in Montreal."

Runways were reopened at Philadelphia and Boston, while airports in Washington and Baltimore were scheduled to reopen in the afternoon with limited service. In Washington the federal

government remained closed for a second day. The post office planned to

suspended on Monday in Philadelphia, New York, Washington and Boston. But most schools remained closed, businesses struggled with skeleton staffs and mass transit systems laboured with too few trains and too many passengers.

Officials in New York and Boston pleaded with residents to stay at home or at least stay off the streets. City residents used skis, snowshoes and even snowmobiles to get around. Snow snarled the morning

rush hour from Washington to Boston as buses crept along icy roads and commuter trains got stuck. Trains in the New York suburbs were so infrequent and so crowded they were forced to bypass stations already jammed with frustrated commuters who had been waiting for hours.

Brazil turns collector of money owed abroad 1994, when it became the last

After more than a decade asking for its own debts to be forgiven or restructured, Brazil has turned from poacher into gamekeeper and is getting tough over nearly \$6bn it is owed by other governments. Most of the debtors are in Central America and Africa. In total, Brazil is a creditor of 50 states. The government admits

many of the cash-strapped countries will be difficult. One official compared the task of tracking down and trapping debtors to an "African safari". "The majority of these coun-

that recovering money from

tries are poor. Many have already closed accords with Brazil but failed to keep them." said a central bank spokes-

Brazil's own foreign debt

of the big Latin American debtors to complete a Brady-style restructuring of nearly \$50bn of commercial debt. The deal, named after Mr Nicholas Brady, US former treasury secties, we've tried to enter into retary, appeared to bring to an contact but they don't even end Brazil's decade-long debt reply. We face all sorts of probcrisis. The country's sovereign debt risk has since been raised

by ratings agencies. Even so, many of the complaints Brazil is now making against other countries will raise wry smiles among US and European commercial bankers involved in Brazil's debt crisis.

Poland is Brazil's biggest debtor, owing \$2.4bn but up to date with repayments. Most of the debt was contracted in the 1980s as trade finance. Angola. like Brazil a former Portuguese colony, owes just under \$1bn and is meeting debt repayments through oil exports

Of more concern are countries such as Mozambique. which owes \$307m, and such smaller debtors as Senegal, Ivory Coast and Guinea-Bissau, "With some of these coun-

lems with bureaucracy and a lack of communication," the spokeswoman said Surinam, one of Brazil's smallest debtors with \$69m outstanding, has been removed from the watch list after a

restructuring was agreed last Brazilian law does not let write off capital owed or pardon debtors. But the government has found other ways to ease debtors' problems, including preferential interest rates and extensions to debt maturi-

Land hunger in Brazil

Angus Foster finds efforts to redistribute farms beset by heavy demand and slow processes

fter a four-year fight, the Brazilian govern-A the Brazilian govern-ment's land reform agency is to give 55 families living at Cajueiro, in the north-ern state of Tocantins, nearly 2,000 hectares of farmland they occupied. The families invaded the land, claiming it was not being used. But it could be months or even years before their plots are marked out and recognised by the courts, so slow and underfunded is the

government's land programme. "There is no reason for hap-piness yet. Just to have the land doesn't kill hunger," said Mr Vandir Alves Silva, one of the occupying farmers.

Concern about the slow pace of land reform has risen, especially after at least 10 landless farmers were killed by police during a conflict in August last year. Nearly 1,000 farmers, their lawyers and union leaders have been murdered in Brazil over the last 10 years, according to the church-backed Pastoral Land Commission (CPT). Rural violence is one of Brazil's most serious social

President Fernando Henrique Cardoso took office on January 1 last year, pledging to address the problem. He wants, during his four-year mandate, to resettle 280,000 families on land judged to be unproductive. At first sight, the target looks optimistic because only 130,000 families were resettled in the eight years to 1994.

But the aim is modest. Estimates for the number of families wanting land vary from 1m Morale at Incra, the federal agency charged with land reform, has been low since the resignation of its respected president in November, amid unrelated political in-fighting.

released a memo that suggests Mrs Clinton was the mover in the travel office purge. She before they can be approprihas denied the allegation.

Some big farmers also realise that unequal land ownership is damaging. Mr Altamir Dezerra, a big landowner in the state of Tocantins, says smaller farms provide more jobs and yield a wider variety of produce. "The very big properties must be brought to an end. Farms bigger than, say, 10,000 to 12,000 hectares would be very ques-

Even so, the government's plans are set to run into structural problems which suggest land reform will continue to be besitant and painful. According to some observers, Mr Cardoso is continuing the stop-gap measures of his predecessors,

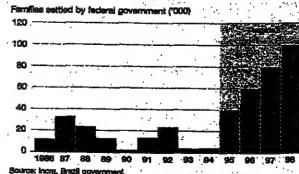
tionable in my opinion.

who shied away from a genuine reform of Brazil's land poliharvest neaks when prices are The rural credit system for

newly settled families is also poor. Families receive loans of up to 7,500 Reals (\$7,750) for buying basic equipment, but further credit is not available until the first loans have been paid off, which can take seven years. Technical advice on what to purchase is also weak. Families in one village in Tocantins were given less than a day to decide what they wanted, and were offered no advice on which produce was suitable for the region or the local market.

Incra has also been plagued by budget problems typical in Brazil. "They can only act

Brazil's land reforms trying to step up the pace



cies because of opposition from rural elites and politicians. One big problem is the legal

procedure for appropriating land and the strains this places on Owners of land determined to be unproductive can quickly plant a crop or move some cattle and contest the ruling in the courts, which have always been sympathetic to big farmers. The appropriation procedure is also highly bureaucratic. In some cases, there have been delays of eight years before resettled families have had their land marked out and confirmed by the courts. During this period, owners

and resettled families are reluctant to improve the land in case a court rules against them. Incra is also unable to install the necessary infrastructure before the court confirmation. Resettled families are often left on land many miles from roads and schools. with no storage facilities. There is little incentive to increase production since they

when the money has arrived. They make lots of promises, but they don't have the cash." said Mr Xavier Plassat of the

Incra is often criticised for spending too much of its money on administration. Also, officials in some areas are compromised because they do not have their own transport and rely on vehicles provided by big land-owners. In northern Brazil, especially in states such as Pará and Maranhão, there is a surplus of officials in the cities and a shortage in the countryside, where conflicts over land take place.

selves have doubts about Mr Cardoso's targets, such as the plan to settle 100,000 families during his final year in office. "His target of 60,000 this year suggests he needs a 50 per cent increase in the size of Incra's staff. Where is he suddenly going to find all these agricultural engineers, legal and administrative staff?" asked

UK GOVERNMENT ECU TREASURY NOTES For tender on 16 January 1996

TENDER NOTICE

The Bank of England announces the issue by Her Majesty's Treasury of ECU 500 million nominal of UK Government ECU Treasury Notes, for tender on a bid-yield basis on Tuesday, 16 January 1996.

2. The ECU 500 million of Notes to be issued by tender will be dated 23 January 1996 and will mature on 26 January 1999. Notes will bear an annual coupon payable on 26 January, starting on 26 January 1997. Payment for Notes allotted in the tender will be due on 23 January 1996.

4. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services (tormerly Securities Office), Threadneedle Street, London not later than 10.30 a.m., London time, on 16 January 1996.

Tenders must be made on a yield basis (calculated on the basis of a month of 30 days and a year of 360 days) rounded to two decimal places. Each application form must state the yield bid and the amount tendered for.

Each treder at each yield must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

Tenders above this minimum must be in multiples of ECU 100,000 nominal.

7. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Notes in global form to their account with ESO, Euroclear or CEDEL. Notes will be credited in the relevant system against payment. For applicants who have requested definitive Notes, Notes will be available for collection at Customer Settlement Services, Bank of England after 1.30 p.m. on 23 January 1996 provided cleared funds have been credited to the Bank of England's ECU Treasury Notes Account No. 59045828 with Lloyds Bank Pic, Bank Relations, St George's House, PO Box 787, 6-8 Eastcheap, London EC3M 1LL, and provided that the Bank of England has received satisfactory evidence of entitlement to collection. Definitive Notes will be available in amounts of ECU 1,000, ECU 10,000, ECU 10,000, ECU 1,000,000 and ECU 10,000,000 nominal. If any applicant whose tender is accepted has requested definitive Notes, other applicants whose tender has been accepted and who requested Notes in global form may nevertheless be required to accept definitive Notes under the rules and procedures of Euroclear and/or CEDEL. In such event, such definitive Notes will be held by the Bank of England as the specialised depository for Euroclear and/or CEDEL, in such denominations as the Bank of England may determine, for such applicants who requested Notes in global form.

Her Majesty's Treasury reserves the right to reject any or part of any tender.

9. The arrangements for the tender are set out in more detail in the revised information Memorandum on the UK Government ECU Treasury Note programme issued by the Bank of England on behalf of Her Majesty's Treasury on 9 January 1996 (the "Information Memorandum"). This tender will be subject to the provisions of the Information Memorandum and to the provisions of this notice.

Memorandum and to the provisions of this notice.

10. On 23 January 1996, ECU 600 million nominal of Notes will be allotted to the Bank of England for the account of the Exchange Equalisation Account ("EEA"). ECU 50 million nominal of these Notes will be retained by the Bank of England for the account of the EEA and may be available for sale and repurchase operations with the market makers listed in the Information Memorandum. ECU 550 million nominal of these Notes will be held by the Bank of England for the account of the EEA with the intention that they will be sold in subsequent tenders or may be made available for sale and repurchase operations with the market makers listed in the Information Memorandum; these Notes will not be sold other than by tender.

be sold other than by tender. 11. Copies of the Information Memorandum may be obtained at the Bank of England. UK Government ECU Treasury Notes are issued under the National Loans Act 1968.

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cheque to fund more Macmillan Nurses (Did you know over one million people

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THE Macmillan

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CONTRACTS & TENDERS

ANNOUNCEMENT FOR PRE-QUALIFICATION FROM EREGLI IRON AND STEEL WORKS CO. (ERDEMIR)

TURKEY Announcement is hereby made for the pre-qualification of No.2 Demineralised Water Plant for Power House and Modernisation of Continuous Casting Facilities No.1 and 2 on our integrated stell plant located at Kdz Enegli

II) PROJECT NAME, NO.2 DEMINERALISED WATER PLANT FOR POWER HOUSE This plant will be constructed on Turn-key basis and shall have a capacity of (150 m3/hz - 2 tunes) composing of litters, cation exchanger, amon exchanger, degastication system, healting unit, chemical feeding system, centralised control

III) PROJECT NAME: MODEFINISATION OF CONTINUOUS CASTING FACILITIES NO.1 AND 2. This project shall mainly cover the supply of engineering, equipment, supervision and technology transfer to improve the state quality, process automation and to reduce the production cost for the Continuous Casting Facilities No.1 and 2

Continuous Cassing Facility No.2 CONCAST-SUMITOMO Continuous Casting Facility No.1 CONCAST - SMS Designed/Supplier Start-up Oaze Capacity Heal Size Mould Type Machere Radius Supported Length Stab Width Stab Thickness May, 1982 550 000 lonlyeer September, 1978 550 000 lonlyear 120 ton Curved 9,8m 18,9m 750-1,300mm 550 000 fan/yea 120 fan Curved 9.8m 18.9m 1.000-1.600mm IV) FINANCING

Only the pre-qualified companies shall be mated to bid. Documents regarding the pre-qualification shall be issued to those who apply in writing to ERDEMR by the date stated below Delayed applications for pre-qualification shall not be taken into

VII Applications to be made separately for each project must be received at the following address not later than 17 00 hours Turkish local time of 25th January 1996. ERDEMIR MÜHENDISLIK VE YATIRIMLAR GENEL MÜDÜR YARDIMCILIGI

SUBJECT: PRE-QUALIFICATION APPLICATION FOR (STATE THE NAME OF THE VIII) All correspondence shall be in the English Language

PERSONAL PUBLIC SPEAKING Training and speech

Flease contact THA MCGORVAN OR

President angry at attack on wife

President Bill Clinton would like to punch the nose of a columnist who criticised his wife, a spokesman said yesterday, as the White House reacted sharply to attacks on Mrs Hillary Clinton's credibility, Reuter reports from Wash-

The robust White House rhetoric came as new questions arose about Mrs Clinton's role in Whitewater - the controversial financial and legal dealings in her home sate of Arkansas which have dogged her and the president - and about her part in the dismissal in 1993 of seven aides in the White House

travel office.

Mr Mike McCurry, White
House spokesman, said there
was "no factual basis" for William Safire's charge, in the New York Times on Monday, that Mrs Clinton was "a congenital liar". He alleged inconsistencies in her statements about Whitewater and the

"Columnists have the right to write what they want to, even when it's an outrageous personal attack that has no basis in fact. The president, if he were not the president, would have delivered a more forceful response to that, on the bridge of Mr Saffre's nose," Mr McCurry said. "The president, being president, knows that he can't possibly do such a thing," he added. Safire's charge stemmed from the disclosure of legal

Mrs Clinton played a greater role in the Whitewater affair than she has acknowledged. She had told federal investigators under oath she did only limited legal work for Madison Savings and Loan, an Arkan-sas body that failed at a cost to taxpayers of \$60m, when she was a partner in the Rose Law Firm in Arkansas.

billing records that indicate

But records released by the White House last Friday showed Mrs Clinton billed the savings and loan, owned by Mr James McDougal, the Clintons' partner in the Whitewater real estate venture, for 60 hours of work over 15 months. Also, the White House has

to 5m, while nearly 80 per cent of Brazil's farmland is owned by 10 per cent of the farmers. The government claims it met last year's target to resettle 40,000 families, but that is disputed by landless groups.

Mr Cardoso may yet be helped by a downturn in the agricultural sector. In some northern states, farmers are worried about falling land prices and are offering to sell out to the government rather than contest land reform, which requires holdings to be confirmed as unproductive

Several Incra officials them-

and Bruce Clark

Britain yesterday named its new ambassadors to Germany and France, and with the appointments Mr John Major, the prime minister, loses his most important press and media adviser as he enters the vital last phase in the lifetime of his government.

Mr Christopher Meyer, the prime minister's press secretary for the past two years, is to become British ambassador in Bonn, He will be replaced by his former deputy. Mr Jona-than Haslam, now head of information at the Ministry of

Mr Meyer became adept at crisis management as the government lurched from one domestic disaster to the next, including assorted allegations of ministerial impropriety, the climbdown on privatising the Post Office, the Commons defeat over the imposition of value added tax on fuel and the whittling away of the government's majority.

He has diligently followed

career government officer, he should not get involved in party politics, leaving Tory party affairs to the director of communications at Conservative Central Office.

Mr Meyer said yesterday that he took the Downing Street job on the clear understanding with the prime minister that he would not do it for more than two years. The prime minister said he was "sorry to lose Chris, who has done an excellent job as my chief press

Before joining the Downing Street team, Mr Meyer, 51, was deputy head of mission in the Washington embassy, having spent almost 30 years in various foreign office postings.

There is an unusually long time lag between Mr Meyer's departure from Downing Street, at the end of this month, and his move to Bonn at the beginning of 1997. However, Mr Meyer said that he needed the time to immerse himself in German affairs and bring his German back up to

at a sensitive time, when he will have an influential role in negotiating with Germany over the European Union's future, monetary union and the European Fighter Aircraft. Mr Meyer is also likely to oversee the relocation of the embassy from Bonn to Berlin.

The Foreign Office also confirmed yesterday that Mr Michael Jay, deputy under-secretary at the Foreign Office, is to become Paris ambassador.

The new appointments, plus the recent despatch of Mr Stephen Wall, 48, as envoy to the EU, will leave Britain's key European posts in the hands of young diplomats firmly loyal to Mr Major. Mr Jay was regarded as one of the archi-tects of the Maastricht agree-ment in 1991 – helping to secure opt-outs for Britain on some of the key provisions -while Mr Wall is a former private secretary to Mr Major.

In the past, the post of mbassador to Paris has been awarded to veteran diplomats in their final years before

retirement at 60.

The al Massaari affair Dissident 'thorn in the flesh' awaits outcome of appeal against deportation order

Saudi nerves soothed by government's action

By Bernard Gray and Roula Khalef

While the decision to deport Mr Mohammed al Massaari, the dissident Saudi refugee, media now, the issue has been a thorn in the flesh of the British government and companies for over a year. It has excited what those in the government machine and industry who are involved with Saudi Arabia dislike most: publicity.

Britain's trade and defence relationship with Saudi Arabia is seen by the government and companies as one of the UK's most important alliances. Government and industry have worked closely together to cultivate a relationship which has been worth well over £20bn (\$30.8bn) to the UK in the past decade.

Yet given the obsessive secrecy of the Saudi regime, the sensitivity in Whitehall often goes so far that officials and companies refuse to discuss any element of their involvement with the kingdom. At the heart of Britain's relationship with Saudi Arabia is the Al Yamamah arms deal. Originally signed in 1985, it is an agreement between the Saudi and British governments to swap oil for arms. Saudi Arabia diverts a set level of oil. now running at 600,000 barrels a day, to accounts of the Bank of England, which is then sold on to the oil market by BP and Shell. The proceeds go to British arms companies as they meet milestones in supplying defence equipment to Saudi

The Saudis have a long "wish list" of items which they would like from this oil reve-nue, which has thus far been dominated by military aircraft, principally Tornado fighters

British Aerospace has been running the commercial end of Al Yamamah on behalf of the government since the deal was originally signed, and most of the equipment supplied so far



Mohammed al Massarri, the Saudi dissident who has been ordered to leave Britain for Dominica, at his London home

While Mr al Massaari's cause has been taken up with gusto by leftwing Labour backbenchers, the opposition party lead-ers have been somewhat half-hearted in their criticism, John Kampfuer writes from Westminster. The trouble, as they acknowledge, is that there are few votes in taking up an issue that could have negative repercussions for British workers. With 400,000 people employed in the

has been BAe aircraft or air

base services. Al Yamamah is

now worth over £2bn a year to

BAe, and the company has

4,000 expatriates working on

the contract in Saudi Arabia.

defence industry, one of the UK's most buoyant export sectors, the finer princi-ples of human rights have been put into perspective. "It's a difficult case and not something we want to get too hung up shout," said a Labour official.

Both parties admit the decision has been as awkward to defend as it was to attack. Government ministers have conceded, however, that once again they have one of Britain's closest Gulf allies.

hunting ships under the Al in designing the original Al Yamamah programme, and is looking for an order for three These deals, particularly the

armoured brigade, are far from being signed, and Vickers will most of them at the vast Dhahtake its Challenger 2 tank to ran air base. Saudi Arabia for trials no ear-However, other companies have increasingly been trying to get a piece of the action. The tier than the summer. While the companies jockey for posibiggest proposal at present is tion, the British marketing effort is co-ordinated by the Defence Export Sales Organisafor a £3bn British armoured brigade of around 150 Chaltion (Deso), an arm of the Min-istry of Defence. Deso is run by lenger tanks, which would be made by Vickers, and 80 Warrior armoured fighting vehicles, produced by GKN. Mr Charles Masefield, who came from BAe, and is credited with being a highly effective There are also proposals to sell GKN Westland EH101 transsalesman. Sir Colin Chandler, port helicopters to the King-dom, while Vosper Thornycroft now Vickers chief executive. was a previous head of Deso has already built three mineand was also closely involved

Yamamah deal, along with Mr Dick Evans of BAe. Serious Saudi discontent

over Mr al Massaari's attacks began about a year ago. He has been bombarding the kingdom with faxes detailing tales of royal family corruption and wild sexual behaviour. Although for the most part harmless - sometimes the stories seem closer to fiction than fact - the propaganda campaign was a source of irritation and embarrassment to the Saudi government, particularly to Prince Sultan, the longserving defence minister who is close to the west and who has been accused by Mr al Massaari of corruption in arms

A number of factors seem to have combined to heighten Saudi fears and pressures and finally push the British government to take action. First, according to people involved in British-Saudi trade, two civilian contracts that should have gone to UK companies went elsewhere. This raised fears among defence contractors that they may eventually suffer a similar fate and led to a stepping up of their pressure

missed a trick in explaining the decision.

Caught off guard by the original newspe-

per leak last week, the government infor-mation machine never regained the initia-tive. Miss Aun Widdecombe, Home Office

minister, displayed unusual candour for

clear the decision was taken specifically to bolster relations with Saudi Arabia,

on the government. The focus of complaints about corruption has always been the Saudi ministry of defence, where the sensitive nature of the business requires that the size of the contracts be be kept out of the public domain, thus making them

more prone to speculation. Although agents and commissions are not allowed in law, businessmen and experts on Saudi Arabia say this is precisely where the biggest commissions are paid to members of the royal family representing foreign firms. Mr al Massaari's attacks were thus

hitting a sensitive spot. British companies did not face direct threats of lost business as a result of Mr al Massaari's activities. But they were left in no doubt, in the foot-dragging over deals which seemed done, about the Saudi view of his presence in Britain. Lobbying from companies has had its impact, but the

British government has been struggling over the legal and moral aspects of the problem and, prhaps more importantly, the storm of publicity that deporting Mr al Massaari What seems to have tipped

the balance is not the replacing of King Fahd by Crown Prince Abdullah, who is viewed as more conservative, but the bombing at the US-staffed Saudi National Guard communications centre in Riyadh in November, which increased Saudi and US sensitivity to political opposition.

Now that Britain has decided to act, Saudi nerves seem to have been soothed. Some executives even report that the subsequent row has not been received badly by Saudi authorities, but it is seen as demonstrating that the British government's cautious approach to acting against Mr al Massaari was not simply an excuse for inaction.

What everyone including manufacturers, the Saudi and British governments and Mr al Massaari himself, are waiting to see, however, is what happens when his case comes to appeal. If he leaves, the row will die down. If he is allowed

UK NEWS DIGEST

'Union jack' row clouds sale of N Ireland airport

Unionist politicians in Northern Ireland will oppose any move by Aer Rianta, the state-owned airports authority in the Republic of Ireland, to acquire Belfast City Airport in Northern Ireland. Mr John Taylor, deputy leader of the Ulster Unionist party, said last night that a bid from Aer Rianta "would not be welcomed". He added: "I suppose they would refuse to fly the union jack at the airport." The Ulster Unionists are the largest pro-British party in Northern Ireland. New bids emerged for the airport after Britain's Monopolies and Mergers Commission blocked a proposed merger with Belfast's International Airport. Aer Rianta is said to be among parties in discussion with Barclays de Zoete Wedd, acting for Short Brothers, the owners of the city airport.

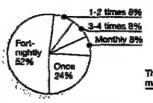
A consortium led by Mr Jack Walker, the owner of Black-

burn Rovers Football Club in England and controller of Jersey Buropean Airlines - one of three carriers which use the city airport - is said to have "expressed an interest". An official at Aer Rianta in Dublin said no bid had so far been made for Belfast City Airport. But the company was "looking at all opportunities." John Murray Brown, Dublin

Accountants are busy lunchers

Accountants are out to lunch again. A survey conducted for big London hotel found that of 100 respondents 52 lunched more often than they did three years ago. The survey, carried out by Focus Communications for the Athenaeum Hotel, also asked similar samples of lawyers, advertising executives and

Business lunches



property surveyors in the capital's West End about their lunch habits. Lawyers lunched least, drank least, and usually in-house. Advertising people received the most free lunches and would travel furthest to eat them. Accountants hosted the greatest number of lunches and the most costly, preferring cafés and brasseries. Most accountants spent less than 15 minutes travelling to lunch. They also drank the most alcohol compared with the other professionals - 52 per cent said they always drank at lunch, although most said they drank less than three years ago. A third of the time over lunch was usually spent on business while 56 per cent admitted that lunch is sometimes abused as a business practice. Fim Kelly, Accountancy Correspondent

GM workers to vote on pay The 7,200 manual workers at the Vauxhall offshoot of General

Motors are to vote on the three-year pay deal which was overwhelmingly rejected last week at factories in the English towns of Luton and Ellesmers Port. The Transport and General Workers' Union will not make a recommendation in the ballot on whether its members should accept the company's offer of a 4.5 per cent rise now followed by an increase in line with inflation over the next two years as well as a one-hour cut in the 39-hour working week. The AEEU engineering and electrical workers' union will recommend acceptance. Mr Tony Woodley, chief negotiator with the transport union, said Vauxhall had made clear the offer would not be improved even if

Andrew Bolger, Employment Corresponden

Road protestors claim victory

The first day of work on the controversial bypass round the southern England town of Newbury had to be abandoned after a protest immobilised security guards. At the moment the A34 road from the south coast port of Southampton to the English



An anti-road protestor climbs on to a makeshift tripod to blockade security guards in their compound Midlands passes through the Newbury, but the proposed bypass would cut through unspoiled countryside. Demonstra-tors mounted on large metal tripods blockaded about 400 security guards in their camp. Protestors are calling the dispute the "Third Battle of Newhory". The first two were fought between the forces of King Charles I and his Roundhead rivals in the 1640s. The A34 is one of the busiest roads taking traffic from France to the industrial regions of England. PA News

Landmarks excite interest: Interest in two of Britain's most famous landmarks has been strong since they went on sale on Monday, said Mr Nigel Talbot-Ponsonby, chairman of Humbert Leisure, the firm handling the sale. Land's End at the far south-west of England and John O'Groats on the northern tip of the Scottish mainland are being sold together by Gulf Resources Pacific of New Zealand. "We will be meeting representatives of overseas investors and British leisure operators in the next few weeks," said Mr Talbot-Ponsonby.

Tory MP may withhold support from government



antee loyalty to it in all votes in the House of Commons, our Political Staff writes. Mr Peter Thurnham, who is threatening to stand as an independent candidate at the next general election, made clear he might register his dissatisfaction in the division lobbies. Asked whether Mr Major could count on his support in key votes, Mr Thurnham told the Manchester Evening News: "I will take each issue on its merits."

His warning is another setback to the government, whose technical majority of three will fall to one if the Conservatives lose two looming by-elections. The first contest, in a seat always won with a big majority by the opposition Labour party, will be on February 1. The Conservatives are also expected to lose a seat in South East Staffordshire which they held until the death of the MP last year.

Miss Emma Nicholson, a Conservative MP who defected to the centrist Liberal Democrat party late last year, sat on her new party's benches in the Commons for the first time vesterday. She accused Mr Michael Portillo, defence secretary, of being "cowardly", and compared the prime minister to a pig being led to market. Referring to senior rightwingers in the cabinet, Miss Nicholson said: "It is they who have pulled the prime minister around like he has a ring on his nose - like a pig going to

As the Commons returned after its Christmas break, Miss Nicholson invited other dis-grantled MPs on the Tory left to join her on the opposition benches. "Once you have swum through the fifth spewed out by Conservative Central Office, you find you're in clean

water and can swim freely, and

say what you think." Mr Major said of Miss Nicholson's defection: "I believe that she has made a decision which she will come to regret." Mr Tony Blair, Labour leader, claimed Mr Major's suggestion that privatisation of the Post Office could be revived in the Conservative manifesto was another sign that he was pendering to the Tory right which wanted "to

But Mr Major rebuffed Labour calls that he holds an early general election, arguing that his government's mandate came from a record number of voters at the last general elec-

privatise anything and every-

• One of the Labour party's leading thinkers on welfare reform yesterday stepped up the pressure on Mr Tony Blair, the party leader, to back the introduction of compulsory private pension provision.

Mr Frank Field, chairman of the Commons social security committee, said a universal and compulsory pension scheme was the only means of resurrecting Britain's
"broken-backed" welfare
system. Mr Field claimed that Mr Blair's speech earlier this week praising some features of Singapore's compulsory pension system was one of the strongest indications yet that his own ideas were being taken seriously by party

invader heads for the table

It is a ferocious predator and can grow to as large as 1.3m. French and Scandinavian din-ers regard it as a delicacy and it could catch on as a high-class alternative to Britain's traditional cod and chips (French fries). The Zander is a sharp-

toothed freshwater fish introduced to Britain from mainland Europe 20 years ago. It is now wreaking havoc with native roach and bream in Britain's rivers and canals. British Waterways, which

tem, yesterday admitted defeat in its battle to curb the burgeoning population and launched a campaign to serve tt up on a plate.
"We're hoping we may get

some serious inquiries from restaurants," said Mr Jonathan Briggs, British Waterways conservation ecologist. The organisation has been culling thousands of Zander each year while select restau-

> expensive imports. Mr Sylvan Ho Wing Choeng, the Mauritian chef at Jason's fish restaurant in London's Little Venice, said: "We'd love to have British supplies so we could offer Zander à la carte rather than as a special." He enthused: "It's my favourite

rants have had to rely on

freshwater fish. Harrods, the London store, sells the fish imported from the Netherlands at more than \$20 a kg.

Niche markets are growing. Mr Simon Newnes, a wholesale fish merchant at Billingsgate market in London, said Japanese restaurants in Britain had become his main Zander

Waterway Accountants urge action to combat fraud 'menace'

By Jim Kelly, Accountancy Correspondent

The UK's senior professional accountancy body yesterday wrote to the bome secretary, urging him to consider setting up an independent panel to coordinate the fight against

The Institute of Chartered Accountants in England and Wales, which has more than 100,000 members, said fraud cost British industry up to £10bn (\$15.4bn) a year and was a "growing menace."
"Despite continuing efforts

to combat fraud, Britain still lacks adequate legal and law enforcement machinery," said Mr Gerry Acher, chairman of the institute's audit faculty. There is complacency in business; there is still no modern consensus about the role of the

lished by the faculty yesterday, said it was hoped that the accountancy profession could act as a "catalyst" to bring about reforms. "The time has come to try put together a framework in this area," he said. "The credibility of the UK as a financial centre depends on keeping fraudsters at bay." The institute has sent Mr Michael Howard, the home sec-

retary, a copy of the report, which was commissioned by the audit faculty from three experts on fraud. The report has been praised by the audit faculty - although it has yet to be fully endorsed by the insti-

The report urges the government to: • Set up a Fraud Advisory Panel. The anthors want the

Mr Martyn Jones, a partner forum to produce reports for with Touche Ross and one of government on reform bringthe authors of a report public ing together interested parties. • Designate a lead department to co-ordinate the government's anti-fraud strategy. Appoint the home secretary chairman of a ministerial committee on fraud bringing together several departments.

• Create a legal duty for regulators to report on suspected fraud to auditors. "You can have a situation where an audit is undertaken in the dark," said Mr Jones. "The only winners are the fraud-

• Strengthen the law against knowingly misleading auditors Direct the Law Commis to review the law on fraud.

The report says losses by fraud in 1992 were £8.5hn compared to £500m for reported

This really is tunnel operator's crunch year

and Gooff Dyer



EURO past two years, City of London a n a l y s t s insisted that this was the crucial year for

Eurotunnel, the crisisridden operator of the Channel tunnel between England and France. But 1996 really is the "make-or-break year" for the Angle-French company which in September 1995 announced it had suspended interest paydebt and was entering negotiations with its banks to rear-

range its finances. If, during this year, it fails to reach agreement on a financial time the prestructuring with its unwieldy and equity."

Given recent suggestions from the Eurotunnel that these crucial beginning of negotiations were - after four each of the months - still at a "prelimirary stage", shareholders can rect many more months of uncertainty.

Sir Alastair Morton, cochairman of Eurotonnel. admitted in a recent interview that the company had endured a "rocky year", but insisted it would not be put into adminis-On the important question of

whether any restructuring would involve the banks swapments on £8bn (\$12.32bn) of ping part of their debt for equity, thus diluting existing shareholders. Sir Alastair would say only: "We have to decide how to reallocate over time the proportions of debt

reached with its four main banks, "we will have to detail it and document it, and then put it to a vote of all 225 banks", he said. "A conversation has begun, but it has not got anywhere yet."

Information about Eurotunnel's finances and operations will be released today. Sir Alastair said that since September, "the main achievement has been to steady the banks". The banks say they will now wait until they see the company's financial plan before making any

There have been fears that Japanese banks, which hold about 25 per cent of the company's debts, might scupper the restructuring due to their

being put into administration. new financial structure were According to Mr Anthony Jarrett, who heads the group of agent banks: "Japanese banks will not tell me if they have written the debt off." On the company's financial position, Mr Jarrett said: "Fail-

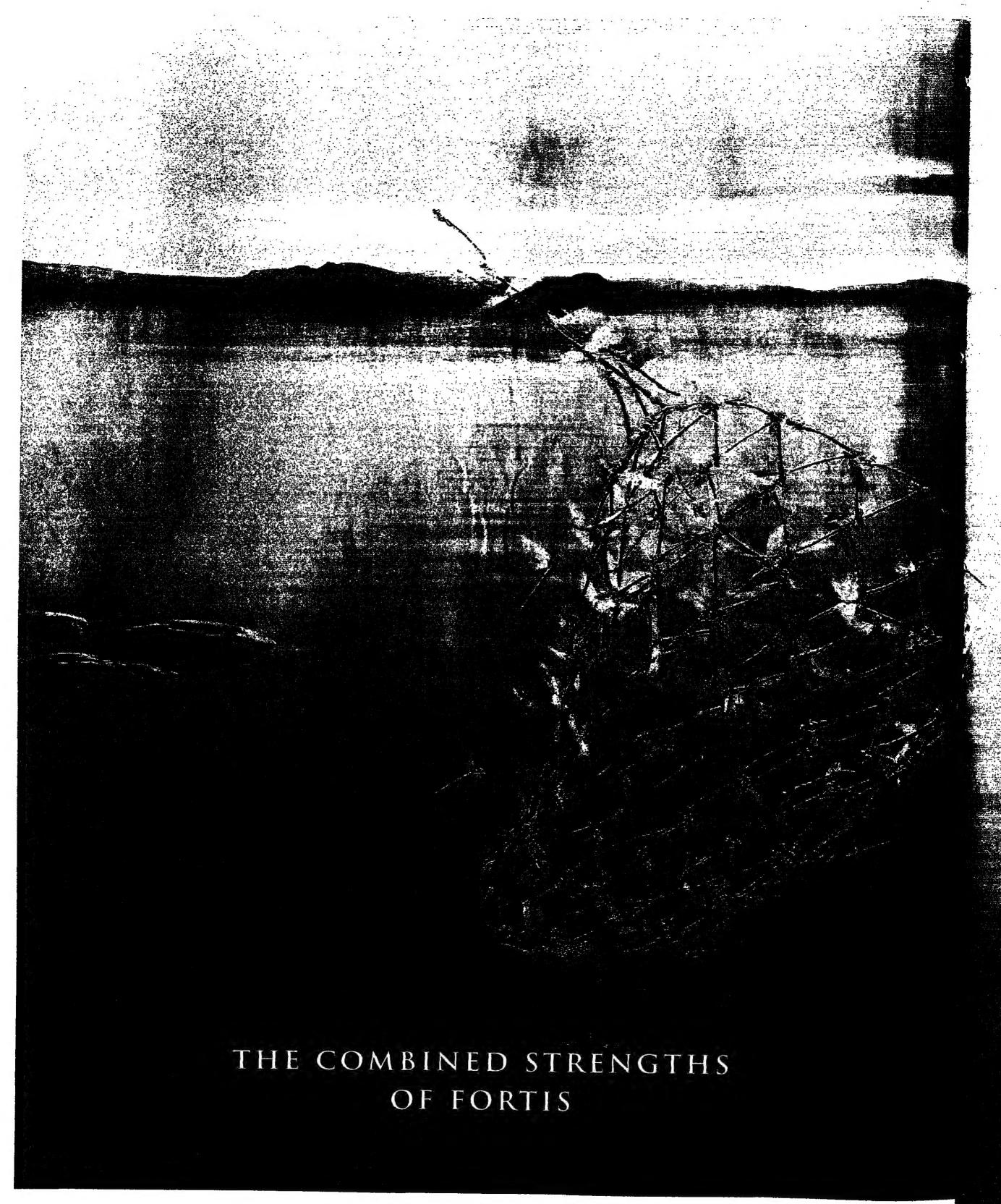
ure is the wrong word, rather increasing financial difficul-In the meantime Eurotunnel insists it has been "business as usual". Sir Alastair said the number of vehicles using Le

Shuttle trains which carry cars between English and French ports "rose through the sure now that it is going to make money." Mr Jarrett agrees that operations are

improving. reluctance to provide against merger of the cross-Channel

Stena, Eurotunnel's main competitors. However, at present, a competition agreement prevents the ferry operators from even discussing a merger, and they say they have no such plans. The level of capacity being put in place by the ferries for 1996 is "barking mad". Sir Alastair said. The ferry companies say they are confident the growth in the total market will compensate for the impact of the tunnel.

Over the summer Eurotunnel was able for the first time to cover operating costs autumn; we are even more and capital expenditure out of cashflow. However, it is a long way from being able to pay its interest bill, which is piling up at about £60m a month, Losses Eurotunnel has dropped its after interest and tax in the initial objection to the idea of a first six months of the year



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doing so, feeding enthusiasm for further

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BUSINESS AND THE ENVIRONMENT

Greenpeace's new head outlines the campaigners' strategy for working with business, writes Sheila Jones

Industrial relations

is amused by the sugges-tion that the organisation today looks more like a Goliath

"If we were Goliath it would mean we had won. I wish we were. But no, we are still a very small

Greenpeace has grown rapidly since starting as a small, militant organisation in 1971 taking on big business and government on the environment. Now in its 25th year, Greenpeace employs 900 staff in 31 countries: it has an annual budget of about \$120m (£78m), reserves of \$70m and more than 3m supporters worldwide.

In recent months, the organisation has been accused by insiders and outsiders of being bureaucratic, secretive, even untrustworthy. Its tactics have been questioned in campaigns against French nuclear testing in the South Pacific, where its two flagship vessels were seized, and against Shell's plan to dump the Brent Spar oil platform in the North Atlantic. Its income and membership look high, but they are well below their peak years. Bode acknowledges that recent

events have threatened Greenpeace's credibility. He is not unabashed. But he points out that, among other things, the French have agreed to sign a comprehensive test ban treaty in 1996, after years of campaigning, and that Shell has reversed its decision to dump the Brent Spar at sea.

One of Bode's first tasks as international executive director has been to continue the streamlining under way in the organisation: trimming the budget - "sustainable campaigning is possible only on solid reserves" - and cutting staff, by about 100 in the past year. Another priority is to make the organisation more open, but not at the expense of weakening its ability to cam-

Bode, 48, embodies the modern, professional image that Greenpeace now seems to want to project. A

hilo Bode, the new head of graduate in political economics, he has worked on all sides; for development aid organisations, as a pri-vate consultant on development issues, and in industry. The organisation is like "a medium-sized business," he says, "and it has all the sorts of problems of a business this

> Where a company has subsidiaries, Greenpeace has affiliates -national, independent entities licensed to operate under the Greenpeace name. Bode's most pressing challenge is to help establish a "common vision" that will bind the organisation

> Greenpeace was founded 25 years ago in Canada. Now, we have representatives in different countries and across different cultures The challenge is more complex. In terms of tactics, we have classical direct action because civil disobedience is a classical way to confront in western societies, but it is not in Japan. So we have to adapt our ways of confronting to respective cultures

Bode also wants to talk to business. The environment is on the corporate agenda, a significant change since the early days of Greenpeace. Bode's business approach raises suspicion in some quarters, but he believes there are business allies that can help the cause. "Industry is the main player in society . . . That's why we need to talk to them."

He dismisses the idea that co-operation might become collabo-ration. "We don't lose our ability to confront and attack by talking to them. On the contrary, they know us better and we know them better. It is important to know your adversary." It is not just a cynical exercise in getting to know the enemy. Again, it is more complex, says Bode. "We can intervene physically, without violence, against environmental destruction, such as the killing of whales. This holds true where the destruction is visible. But you can't see global warming, so here we have to find the most effective confrontation."



Greenpeace Germany, which Bode ran from 1989 until taking over at the headquarters in Amsterdam, talked to several large companies, including Siemens and Bosch, about developing refrigerators free of harmful chlorofluorocarbons. The approaches were rebuffed, says Bode, so Greenpeace worked on the new technology with an independent east German company.

This is the real David and Goliath story," he says. The mainstream manufacturers are now producing CFC-free fridges using the new technology. "It has penetrated markets in central Europe and you can't buy any other type of fridge in Ger-many." says Bode. "It is a shame for the small east Germany company, but this is a classical action -Greenpeace doing something rather than waiting for someone else to do it. Action does not always mean

holding up a banner.' Greenpeace has had talks with motor manufacturers Mercedes-Benz and Volkswagen about prospects for cleaner energy. This week in London. Bode has been talking to Shell executives about a strategy for the disposal of oil installations. But he promises that large corporations and governments are not off hold them to commitments made at the Rio summit on climate change in 1992. "Big corporations today have a responsibility that goes beyond their aim to make a profit. The focus is on social, moral and ethical obligations. There is a very progressive agenda. Our obligation is to say to industry 'This is what you write. What is it you do?"

Bode's interest in the environment is rooted in concern with social inequality. A student activist in the 1960s, he was a member of Germany's young socialists. This was long before the formation of Germany's influential Greens. although Bode never joined the

He does not see the environment as an isolated issue. "Poverty is connected to environmental destruction. Look at poor, landless farmers invading virgin tropical forests, or at fishermen destroying fish stocks. In developed countries we have the huge consumption of resources affecting the developing

"In the long run, we can only solve the environmental crisis if the world's society comes to an agreement about sharing resources. Mankind has to decide how to share

The greening of **Bretton Woods**

Graciela Chichilnisky on a plan for a new global bank to be a clearing house for the environmental market

he Bretton Woods institutions show their age. Creatures of the post-war reconstruction, they served us well for half a century. The World Bank supported development efforts worldwide, and the International Monetary Fund provided the backbone for the international monetary system during the golden age of industrial society.

But as the century turns, the industrial world's voracious appetite for natural resources threatens to change irrevocably the earth's atmosphere and its global climate. This sobering thought has prompted calls for the reorganisation of the Bretton Woods institutions.

However, they were not created for, and are not well suited to, the environmental challenge. The World Bank's proclivity for large technocratic projects has led to complaints about environmental insensitivity. It and the IMF have found that their standard recommendations for developing countries, such as exporting more resource-intensive products (fossil fuels, forest products and cash crops) at devalued exchange rates, may conflict with environmental preservation. Is the world ready for a global Environmental Protection Agency?

Hardly, Heavy-handed bureaucracy has lost its appeal. Markets are imperfect institutions, but the alternatives may be worse. The challenge now is to achieve an environmentally conservative society without hindering productivity and

dynamism Some of the most innovative financial institutions have emerged from environmental concerns. The global reinsurance industry complements its services with "catastrophe futures". innovative instruments traded on the Chicago Board of Trade since 1992. In the US, the Clean Air Act has led to a market in sulphur dioxide emission rights.

Financial markets and the environment are natural allies. Finance is about hedging uncertainty. Environmental uncertainty, such as weather risk,

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is the oldest form of uncertainty. Yet no global environment markets exist today.

How might such a market function? First, gas emission ceilings for the world and timetables for their implementation would be established. The parties at the Berlin conference on climate change last year agreed to that. The next step is to determine the emission rights of each country. and the rules by which they can trade these rights. Property rights are crucial because one needs to know who owns what within the total ceiling in order to trade.

The market discourages emissions because it increases the cost of emitting. Each unit of emission rights has a market

The IBES would act as the clearing house of a global environmental market

value. One can either use it to emit or sell it. Unlike taxes. markets determine the costs of emissions according to supply and demand. The emissions market works as a flexible tax system. An environmental market can bring other gains. The richest countries have money but an environmental deficit: they emit 70 per cent of global greenhouse gases even though they make up less than 20 per cent of the world's population. The developing countries are in the opposite situation: they have a credit in the environmental account, but a monetary deficit. They emit less and they house most of the world's remaining forests and biodiversity. There are natural gains from trade between the two groups of countries.

Such a market would need an International Bank for Environmental Settlements Trading could be tricky. Selling one's rights to emit carbon dioxide, the main greenhouse gas, is selling one's ability to burn coal and petrol. Most industrial economies would screech to a halt if they were unable to burn petrol. By selling their future rights to emit, developing countries could be selling their right to industrialise.

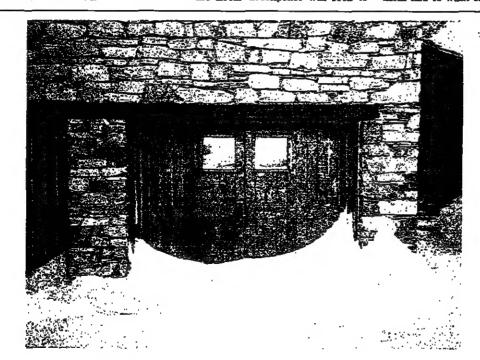
Borrowing and lending rights to emit may be more palatable than outright sale. The IBES could borrow short from developed countries and lend long to industrialising nations, the traditional role of a financial intermediary. Environmental bonds could be used to raise finance for environmentally valuable projects. Options and futures could bring greater flexibility and liquidity.

The IBES would act as the clearing house of a global environmental market, matching the parties to an environmental rrade, mediating borrowing and lending, and ensuring the integrity of the market

transactions and their settlement. The IBES will use as collateral the environmental resources of the planet; its forests, bodies of water and its atmosphere. These are the most valuable assets known to humankind. Yet at present the only way to realise their value is by destroying them: a forest which preserves biodiversity and contributes to the atmosphere's quality is destroyed to sell the wood of its trees for pulp, or burned to give way to arable land. The IBES will help realise the value of environmental assets without destroying them, It will balance out the positions of large and small traders by offering a neutral trading base for all, and provide an anonymous process where several small sellers can meet a few large

The IBES could be an important part of the restructuring of the Bretton Woods institutions to meet the needs of today's mature industrial societies, as well as those of the industrialising

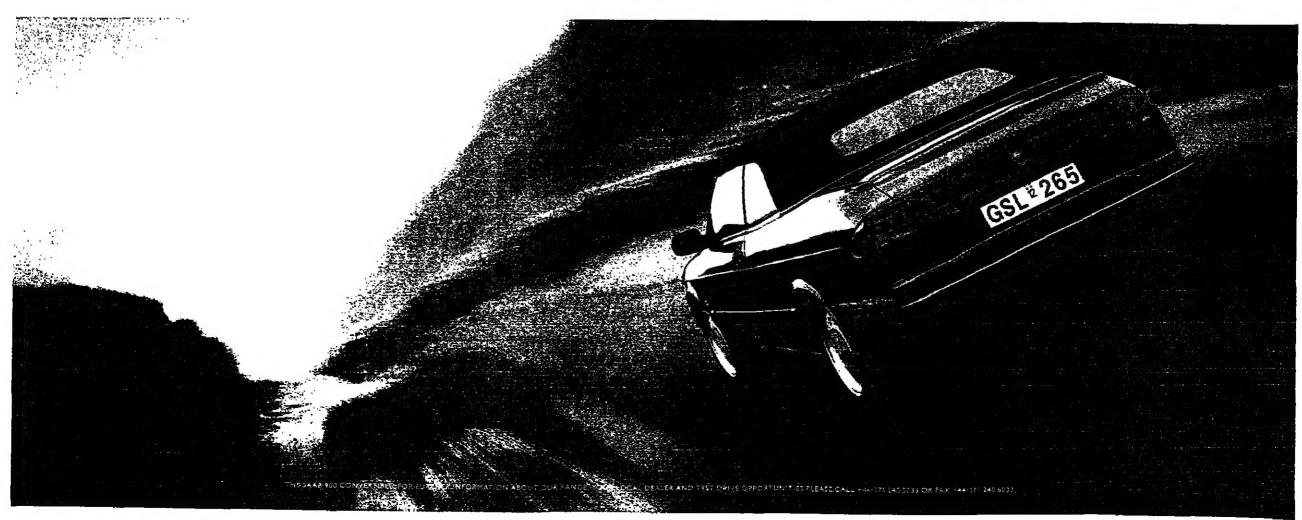
The author is economics professor and holds the Unesco chair in mathematics and economics at Columbia University, New York.



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art or opera critics take their ts seriously and sustain a useful dialogue with painters or musicians, and enthusiasts, television critics too often seem to be appointed as jokesmiths. Those who complain cannot deny that television columns are

extraordinarily well read - "page traffic surveys" prove that from the lightest tabloid to the weightlest broadsheet, television columns are among the most popular items. But the objectors claim this has more to do with jokes than insight.

-That is not their only complaint. They say that while most critics, of ballet, books, or whatever, are chosen for their expertise, it seems to be believed that with television critics expert knowledge is less important than a provocative style. Some television critics, they say, do not seem to like television at all. Occasionally the argument goes further. For years Melvyn Bragg has been asking why television critics are expected to be jacks of all trades: why do we not have television drama critics, television

Television/Christopher Dunkley

Why jokes are not criticism enough

Some of this can be fairly quickly dismissed. Two of our jokiest television critics, Nancy Banks-Smith and Clive James, also happen to have been two of the shrewdest, and both clearly like television. It is true that some television critics refuse to parade as experts, arguing that to understand all is to forgive all. This is a mass medium, they say, unlike opera or ballet, and the job of the critic is to speak for the average viewer in the average sitting room, not to cosy up to the programme producers. On the other hand some of us feel that the critic ought to know a bit more than most people about the workings of the industry and the technology because, unless you know the true potential of the medium, you cannot judge whether the programme-makers are fully exploiting the possibilities. However, there is clearly some

strength in the programme-makers

arguments. One of our Sunday broadsheets now has a television critic who pours contempt on virtually everything be sees. Bragg's thrust has considerable force when you think about the millions who spend hours in front of the TV and the tiny numbers interested in fringe theatre, specialist concerts, or obscure biographies, and the way that space is nevertheless distributed in the review sections of newspapers and magazines. Those of us who believe that television

ambulance-chasing must surely agree that jokes and ignorance are not an adequate reaction and that a decent body of critical response is essential if anything better is to be So when the Royal Television Society asked me to be on a panel

of critics at its recent workshop called "Who Are You To Criticise?"

I agreed, yet decided that attack

can and should aspire to something

beyond sofa-shows and

was the best form of defence because, however powerful the arguments involved, this does seem to be a striking example of the pot calling the kettle black. Here we have two major mass media: the press and television. Long ago those involved in print developed a review system which ensured that prose and poetry, history and biography, printed fact and printed fiction, received proper critical

urthermore when television came along a whole new army of writers was appointed to keep a critical eye on television. Today, what with daily previews and reviews, and weekly columns of comment, not to mention the acres devoted to background features ranging from soap scandal to media sections, the press devotes huge amounts of space to television. And how does television's effort compare? How

many properly paid full time critics are there in British television? One that I know of: film critic Barry Norman. Even American television, about which the British like to be oh-so-supercilious, does better, with criticism undertaken regularly at national and local

Just as print is the best medium for the criticism of printed matter, so television is well suited to the criticism of its own material. But where does this bappen? Once upon a time Late Night Line Up was able to do it four nights a week, but that died. Did You See? was a good effort, albeit only once a week, and in short runs, but after Ludovic Kennedy retired they tried out a few other presenters including Jeremy Paxman and then gave up. So much for television's estima of the importance of television

Today (well actually not today, nor this week, but when BBC2 gets round to organising another

season) we have the last knockings of The Late Show, a pale television version of The Critics from BBC Radio which, once a week, may, if we are lucky, include a single television item in a round table discussion. Once a month, if the moon is waxing and the wind is in the west, we may get Bite Back at the weekend, though it is difficult to believe that many viewers remember to switch on one Sunday afternoon in four. The best television programme about

access or correspondence show. When you think of the analysis and criticism of print in print (The Literary Review, TLS, New York Review Of Books not to mention entire sections in daily, Sunday and weekly papers) and compan television's analysis and criticism of television, you are driven to the conclusion that television still has a long way to go before it becomes a grown-up medium. And

television is Channel 4's Right To

Reply, though that is really an

remembering those complaints about the quality of television criticism provided by the press how about the standard of press criticism provided by television? In response to countless TV columns, features, pull-out guides, previews and reviews, what does television do to keep an eye on newspapers for the public? What The Papers Say: a quarter of an hour, once a week, usually in the middle of the night, written and presented, of course, by someone borrowed from

a newspaper. Or rather, that used to be what they did. This week comes the news that instead of running right through the year WTPS in 1996 is being reduced to a handful of episodes, and today's opening programme (presented by Paul Foot who does it better than anybody) has been reduced from 15 minutes to 10. It was never a great it for 40 years, latterly for BBC2, and it has served as one small skein to cover television's critical nakedness. Programme-makers who complain about television criticism already look pretty silly: if WTPS is now allowed to disappear without a proper replacement they will look quite

Theatre/Alastair Macaulay

The charms of Peter and Toad

he towering 20-feet-tall bedroom windows waft open - the vest and spreading sky outside is studded with stars and in flies Peter Pan. This wonderful idea is quintessentially Romantic. It is very close to the central idea of the mother of all Romantic ballets, La Sylphide (1832), in which the windows of a Scottish farmhouse blow open to reveal the sylph and, behind her, the woods of her realm. But J.M. Barrie made the flying sylph of his story a boy; and his airborne icon is not only masculine, he is also perpetually prepubescent. The impossible love that he has for Wendy never turns into sexual desire; it remains always the longing for a lost mother, the first stage of

Oedinal fixation. This enchanted and moved audiences in 1904, and it enchants and moves today. Strange to say, the new West Yorkshire Playhouse production of Peter Pan is the first version of this classic I have ever seen. Matthew Warchus's production is a spin-off of the famous RSC 1982 staging, which supplemented Barrie's original play with some of his novel version and of his 1908 'Afterthought" material about

Wendy growing up. That version was also new in using a male Peter, and Warchus's new Leeds staging also has a male Peter (John Padden), a similar supply of supplementary material written in by Warchus himself, and a splendid array of changing scenes, designed by Rob Howell. Everybody flies perfectly through the air. The Darling children's huge bedroom is given surreally tilting walls and bedheads. The Indians glow in the dark like fireflies. Captain Hook's boat, turning spectacularly on a revolve, has a fabulous full skeleton on its prow and illuminated skulls hanging in its nets like Hallow-

een lanterns. As in 1904, the roles of Mr Darling and Captain Hook are played by one actor - a proto-Freudian casting device, clinching the Oedipal content Mr Darling is pathetic, vain,

and a reluctant father. No wonder he turns into the conceited and dastardly Hook, who plans "a holocaust of children". Both roles are absurd, but in 1904 Gerald du Maurier also made them alarming. His Hook so alarmed children that (according to his daughter Daphne) they "were carried screaming from the theatre"

The 1996 Hook is David Bamber, a gifted but lightweight actor of absurd/pathetic/fusspot comic character roles. But he neither scares nor amus the children, and presents some of the most exaggerated actorly diction to have been heard since Donald Sinden: an unlikely parent and, worse, a harmless Hook.

Transitions between scenes are sometimes awkward; there is over-use of music (by Gary Yershon) which at several points drowns important dislogue (e.g. in the climactic fight between Peter and Hook); and some of the ensemble scenes are slackly paced. Warchus's modern dialogue ("I got a Mum") can jar terribly beside Barrie's Edwardian antiquated delicacy ("Spirit, dost hear me?"). But Padden is a fresh and appealing Peter, artless in body-language as he stretches forward to kiss Wendy. And the two most beautifully cast roles are Wendy and her Mrs Darling. Anne-Marie Duff brings a perfect nursery quality of quaint gentility to Wendy; while Morag Hood (replacing at very short notice Una Stubbs) illumines the role of her mother with a quiet maternal warmth and tender solicituda.

Meanwhile the Birmingham Rep has revived another early-20th-century English Christmas classic: A.A. Milne's Toad of Toad Hall, his 1929 dramatisation of Kenneth Grahame's 1908 children's tale. The Wind in the Willows. (As with Peter Pun, I had never seen it acted

Here the leading characters have no children or parents. When Badger keeps saying us, of Toad, "I knew his father: I knew his grandfather; I knew his uncle, the Archdeacon," it



Harmless: David Bamber as Hook in 'Peter Pan'

is nothing but silly snobbery. Gwenda Hughes, directing, and Robert Jones, designing, cannot transform the Birmingham stage with the miraculous and spectacular changes of scene that are, in Mark Thompson's designs, the greatest feature of Alan Bennett's 1990 National Theatre Wind in the Willows (currently at the Old Vic); but in most respects Milne's version holds its own very well. Its non-Grahame prologue, for the child Marl-

gold and her Nurse, is now dated, and it omits Grahame's transcendent "Piper at the Gates of Dawn" episode (another vision of Pan than Barrie's Peter) – but so, having weakly attempted it for one season, does Bennett. And in one important respect it surpasses Bennett: Its Wild Wood animals, though still funny, are much more scaring. In Hughes's staging they creep up from all sides, sometimes through the auditorium.

To frighten and to amuse at the same time - see Milne's Wild Wooders, or see Barrie's Captain Hook - yes, this is the way to introduce children, and to reintroduce adults, to the double-edged delight of theatricel entertainment.

Peter Pan continues at the West Yorkshire Playhouse's Quarry Theatre, in Leeds, until February 3. Toad of Toad Hall continues at the Birmingham Rep until January 20.

Music at the Wigmore Hall

The Lindsay's Beethoven

t defies belief that the Lindsay String Quartet, which has reached midpoint in its current Beethoven cycle at the Wigmore Hall, should be just a year or two away from 30th anniversary. True, the second violin's fringe is receding, and their cellist now wears glasses to read his music, and their ages probably add up to slightly more than those of our other leading quartet, the Arditti (both are national treasures). But the Lindsay attack remains as truculent, sudden and dramatic as always, constantly searching into the hard sense of the music.

The programme-blurb cited a Gramophone reviewer, a long way back – "They place truth before beauty, and as a result largely achieve both." Just so: in places where a ravishing sound is positively required they can produce it, but in general - in the late, deaf Beethoven's most awkward and recklessly inspired string-writing, for example the players delve strenuously for the argumentative sense.

disdaining any cosmetic sur-

That is often thrilling to hear, the more so because one can never quite count upon its happening. It needs spur-of-themoment ignition, and even the Lindsay has its off-nights. Its first concert, last Wednesday, was crowned by a superb

reading of the late A minor quartet, Op. 132 (with a won-derfully sustained Molto adagio, the "Heiliger Dankgesang"); on Friday the leader, Peter Cropper, had moments of doubtful intonation in Op. 127, the grand E-flat work, which left smudges on an otherwise distinguished performence.

That is a Cropper foible which comes and goes, usually at trivial cost to the music. His energy and passion are beyond price. In Beethoven's own quartet-arrangement of the piano sonata Op. 14 No. 1, for example, his downward semiquaver-sweeps electrified the

The Wednesday concert had begun with the first of the Op. 18 quartets, with its heartfelt

Adagio rendered hugely dra-matic. On Friday we heard the second, in G, where Cropper insisted on observing Beeth-oven's markings to the letter in the first Allegro: all prickly staccato, far tauter and brittler than the genial exercise we

he first of the three "Razumovsky" quar-tets had all the breadth and vitality that we count upon the Lind say to supply. Each concert in the cycle includes an early, a middle and a late quartet; here, a close kinship between that "Razumovsky" scherzo and the more elaborated one in Op. 127 was striking - as the Lindsay no doubt intended it

There is much to be learned from any Lindsay concert, and never more than when they tackle Beethoven.

David Murray

Remaining concerts in the cycle (all sold out): January

A singer from Salzburg

he public may be los- often accused of packaging. For example, where Anne Sofie ing its enthusiasm for their artists cynically for pub- von Otter would want to draw and instrumentalists. but there will always be a special interest in star singers. The record companies are searching out new talent as never before - especially if the potential stars are young and

Angelika Kirchschlager is both of those and a contract with Sony, one of the major record companies, is already in er pocket. It probably counts as a bonus that she was born in Salzburg, cradle of so much that classical music-lovers hold dear, and she is certainly one German-speaking mezzo-sopranos to have emerged in recent years. How far that promise has already come to fruition is something British audiences have had little opportunity to judge before she arrived for her Wigmore Hall debut on

fursday. the other young mezzos
The record companies are looking for a career in Lieder.

famous conductors lic consumption, but in Kirchs- the audience in with her intichlager's case it would be wise to leave well alone. The animation that she showed at the Wigmore was natural and quite appealing enough, nicely contrasted with Helmut Deutsch's sturdy support at the piano - he played with the lid open, but never overstepped

his rightful place. This is a clear and easily-produced mezzo voice, not as warmly glowing as Ludwig or guttural like Fassbaender, though she may acquire more darkness or depth as the years weigh more heavily upon her. At the moment the sound is free from blemish, the only reservation being that she finds it easier to push for strength at the bottom of the voice than the top, which may threaten some imbalance later.

As an interpreter, she is more outgoing than some of

mate singing of Schumann or Wolf, Kirchschlager is more inclined to go out to meet

turned Mary Stuart's prayer into a cry of pain; Schubert's "Der Zwerg" was openly men-acing. It helps that she sings her native language with exemplary care, though that is not necessarily sufficient to pin down a song's meaning for her listeners. Five of Wolf's Italienisches Liederbuch settings came out sounding vague as to the exact emotions being

At least there is plenty of time shead to clarify matters like that - as long as the recording sessions are not due to be held tomorrow.

Richard Fairman Sponsored by Marks & Spen-

INTERNATIONAL

AMSTERDAM

CONCERT

Concertgebouw Tel: 31-20-5730573 Wrocław Philharmonic Orchestra: with conductor Matthles Maurer and violinist Barbara Gorzynska perform Glinka's "Ruslan and Lyudmila", Lalo's "Symphonie espagnole" and Tchaikovsky's "Symphony No.5"; 8.15pm; Jan 14 JAZZ & BLUES

Bimhuis Tel: 31-20-6233373 Wolfgang Muthspiel, Marc Johnson and Paul Motien: the Austrian guitarist/violinist Wolfgang Muthspiel joins forces with the duo Marc Johnson (bass) and Paul Motian (drums), who formed the last rhythm section of planist Bill Evans; 9pm; Jan 13

ANTWERP EXHIBITION

MUHKA - Museum van Hedendaagse Kunst Tel: 32-3-2385960 John Körmeling: exhibition of recent work by this Dutch architect/ ertist, including his last two projects: a square and a flat car. Also included in the exhibition are models and sketches of recent architectural designs by Körmeling; to Jan 14

BERLIN

CONCERT Konzerthaus Tel: 49-30-203092100/01

 Guy Bovet: the organist performs works by Roque da Conceiçao, Correa de Arauxo, Bruna, Scariatti, Bovet, Lidón and Alain; 3.30pm; Jan EXHIBITION Gemäldegalerie - Bodemuseum

Tel: 49-30-20355358 Wilhelm von Bode - Museumsdirektor und Mäzen: exhibition devoted to museum director and Maecenas Wilhelm von Bode, in commemoration of his birth 150 years ago. The exhibition includes some 50 paintings and 15 sculptures that were donated to the museum by Von Bode; to Jan 14 Kunstgewerbernuseum - Tier-garten Tel: 49-30-2662902 Wilhelm von Bode und das Kunstoewerbarnuseum: the display

includes 15th-century majolica from Florence, Italian bronzes from the 15th and 16th century, and oriental textiles. The exhibits were donated or sold to the museum by Maecenas/museum director Wilhelm von Bode; to Jan 14 OPERA & OPERETTA

Komische Oper Tel: 49-30-202600 Die Entführung aus dem Serail: by Mozart. Conducted by Shao-Chia Lû and performed by the Komische Oper Berlin; 7.30pm; Jan 12 Staatsoper unter den Linden Tel: 49-30-2082861

 Alda: by Verdi. Conducted by Asher Fisch and performed by the Soloists include Lita Priew. Alessandra Marc, René Pape and Bernd Weild; 6pm; Jan 13, 16 (7pm)

■ COLOGNE

CONCERT Kölner Philharmonie Tel: 49-221-2040820 Christiane Oelze and François Le Roux: with narrator Peter Schweiger and planist Irwin Gage. The soprano and barttone perform songs by Mörike, Wolf, Liszt, Heine, R. Strauss and Saint-Saens; 8pm; Jan

■ LEIPZIG

CONCERT Gewandhaus zu Leipzig Tel: 49-341-12700 Jaroslav Tuma: the organist performs works by Antonin, Wiedermann, Brahms, Bossi, Tuma and Reger, 5pm; Jan 13

■ LONDON

CONCERT Wigmore Hall Tel: 44-171-9852141 Liszt explored: planist and Liszt Interpreter Leslie Howard performs Liszt's "Hungarian Rhapsodies Nos. 2, 10 and 13" and "La Lugubre Gondola"; 3.15pm; Jan 14 EXHIBITION

British Museum Tel: 44-171-6361555 Medieval Kings and the Medieval Palace of Westminster: this exhibition brings together many of the principal works of medieval art which have survived from the lost

Palace of Westminster. The centerpiece of the exhibition is a group of six magnificent larger-than-life statues of kings carved for Richard II in the mid-1380s to decorate Westminster Hall; to Jan 14

National Gallery Tel: 44-171-7472885

 Gods in Love: The Carracci Cartoons Restored: two recently restored cartoons by Agostino Carracci (1557 - 1602) are the subject of this exhibition. These large drawings on blue-grey paper, each one about four metres wide, were made in preparation for the ceiling decoration of the Galleria in the Palazzo Farnese in Rome. The exhibition traces the evolution of the cartoon designs and shows how the cartoons were used in transferring the designs to the ceiling; to Jan 14

MADRID

EXHIBITION Fundación Juan Merch Tel: 34-1-4354240

 Georges Rouault: retrospective exhibition devoted to this French painter (1871 - 1958), especially known for his religious paintings and etchings. The exhibition includes 65 works, from the Musée d'Art Moderne de Paris, the Centre National Georges Pompidou, the Kunsthaus Zürich and several private collections; to Jan 14

■ NEW YORK

AUCTION Christies, Manson & Woods International, Inc. Tel: 1-212-548-1000

European Works of Art,

Tapestries and Furniture: works from the estates of Rudolf and Margot Wittkower are among the highlights of this sale. Their collection contains the bronze of *Nessus abducting Deianira", attributed to Francesco Fanelli, and a pair of bronze seated satyrs attributed to Pietro Tacca; 10am; Jan 11 CONCERT

Juilliard Theater Tel: 1-212-769-7406 Martin Luther King, Jr. Celebration: concert and dance programme commemorating the birth of Martin Luther King on January 15, 1929. The programme is based on the letter King wrote from the Birmingham iall, where he was

detained in 1963, spelling out his

philosophy of non-violence; 8pm;

DANCE New York State Theater Tel: 1-212-875-5570 New York City Ballet: perform Peter Martin's "Jeu de Cartes" to music by Stravinsky, Jerome Robbins' "Afternoon of a Faun" and "Antique Epigraphs" to music by

Debussy, and Balanchine's

"Chaconne" to music by Gluck;

PARIS

8pm; Jan 11

CONCERT Salle Pleyel Tel: 33-1 45 61 53 00 Patrice Carpentier: the planist performs works by Mozart, Chopin and Grieg; 8.30pm; Jan 12 Théâtre des Champs-Elysées

Tel: 33-1 49 52 50 50 Le Pâtre sur le Rocher: cellist Frans Helmerson performs J.S. Bach's "Cello Suite No.5", soprano Amélie Fleetwood, accompanied by horn-player Bruno Schneider, clarinettist Michel Lethlec and planist Jean-François Heisserand performs songs by Schubert, and violinist Jean-Pierre Wallez, cellist Arto Noras and pianist Ralph Gothoni perform Schubert's "Plano Trio No.1" 8.30pm; Jan 12

DANCE L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99 La Bayadère: a choreography by Rudolf Nureyev based on Marius Petipa to music by Ludwig Minkus, performed by the Ballet de l'Opéra National de Paris. Vello Pilin conducts the Orchestre de l' Opéra National de Paris. Soloiste include Fanny Gaîda, Carole Arbo and Kader Belarbi (Jan 10, 12, 13), and Marie-Claude Pietragalla, Agnès Letestu and Nicholas Le Riche (Jan

■ SAN FRANCISCO CONCERT

11); 7.30pm; Jan 10, 11, 12, 13

Louise M. Davies Symphony Hall Tel: 1-415-864-6000 Saint Petersburg Philharmonic:
with conductor Yuri Temirkanov and violinist Pamela Frank perform Bruch's "Violin Concerto No.1" and Mahler's "Symphony No.1"; 8pm;

VIENNA

CONCERT Konzerthaus Tel: 43-1-7121211 Finnish Radio Symphony Orchestra: with conductor Jukka-Pekka Saraste and soprano Hildegard Behrens perform Schoenberg's "Erwartung", and Sibelius' "Symphony No.6" and "Symphony No. 7"; 7.30pm; Jan 13 WORLD SERVICE BBC for Europe can be received in western Europe on Medium Wave 648 kHZ

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Ian Davidson

Mitterrand's legacy

France will continue to seek an integrated Europe in order to achieve the closest possible political partnership with Germany

François Mitterrand's death on Monday drew respectful accolades from many world leaders, in particular from Chancellor Helmut Kohl of Germany. Prime Minister John Major of Britain, and President Jacques Chirac of France. But as one might have expected, these three tributes were subtly different in tone and emphasis, and each told a different story, reflecting dif-

ferent national perspectives. Helmut Kohl described Mitterrand as a great European statesman, and said he mourned a good friend. John Major said Mitterrand had made an outstanding contribution to public life. "particularly in France". Jacques Chirac described Mitterrand as having written an important page in the history of France. but he added, almost as an afterthought, that he had also advanced the construction of

Of these three obituary ludaments on Mitterrand's long, complex and contradictory political career, it seems likely that Helmut Kohl's encapsulation comes closest to the mark. Of course, it is true. as John Major said, that Mitterrand made an important contribution to public life in France. It could hardly have been otherwise, considering that he was the first socialist. and the longest-serving, president in the history of the Gaullist Fifth Republic.

But in terms of the difference he made, and the changes he helped to bring about, his most important leg acy to history was in the development of Europe: the conversion of the French establishment to the idea of European integration: the formulation of ambitious objectives for Europe, ranging from monetary union to the ultimate target of a federation: and above all, perhaps, the forging of the closest possible political partnership with Ger-

many. contrast, it is arguable that his achievements at home fell far short of what was required by his European He inherited a constitution he originally

denounced as a permanent coup d'étal. But he failed to introduce the constitutional reforms he had promised, even when he had an overwhelming majority in the National Assembly, and his long reign effectively consolidated the political stranglehold of the bureaucrats and the technocratic elite. reforms, it is arguable that the He created a large, moderate government is paying for the failures of its predecessors; and that, if there is now some

Socialist party, which might have been a first step towards a stable system of two- or three-party government. But instead, largely for reasons of petty jealousy, he allowed it to shrivel to near insignificance. As a result, all the main political institutions in France. from the central government down to the regions and the départements, are once again overwhelmingly dominated by the conservatives.

Above all, he seems not to have thought through the domestic economic implications of his European pro-

When, in 1982-1983, he abandoned the ruinous rag-bag of socialist nostrums with which he had come to power, it was essentially for political reasons. This was the height of the Euro-missile crisis, one of the decisive confrontations in the cold war, and Mitterrand decided that France's European partnership with Germany must take precedence over the claims of socialism. But his change of course, in the direction of a single European market, a low inflation policy and eventual monetary union, was not backed up by the domestic economic reforms that were required. Indeed, in the present unre-solved stand-off between the government and the unions will also have to grapple. over budgetary and welfare

and monetary union on time Mitterrand must bear bis share of the responsibility. That is what his opponents and successors say: they would, wouldn't they? But there is more than a grain of

doubt whether France can

meet the terms of economic

truth in it. No one will be surprised that John Major those to pass over in silence Prançois Mitterrand's European achievements, since Europe is the issue on which his own party is split down the middle. The problem is that, if Major is unwilling to recognise reality, he cannot hope to deal with it in any satisfactory way.

More interesting, from its different perspective, is the ambivalence of Chirac's tribute to Mitterrand. As a Gaullist by inheritance and a nationalist-populist by



Chirac (left) cannot ignore Mitterrand's position on Europe

instinct, he might well prefer a less integrated form of Europe than the one in the Maastricht treaty, so he preferred to stress Mitterrand's place on the national scene But he cannot quite pass over in silence the European issue: he knows that Europe is a central and unavoidable part of France's destiny, and it is a destiny with which he himself

That is the essential differ ence between Britain and France on the European question. The French know that they have no alternative to a European future, partly or even mainly because they have no alternative to the closest possible partnership with Germany. But the British do not share this destiny. either because they foster sim plistic illusions about the significance of the Channel, or because it is not customary in Britain to think seriously about the European issue.

For the French, the central problem is, and has always been, a secure and stable strategic relationship with Germany. That was why they launched the Coal and Steel Community in 1950; that was why they pressed the objective of political union after German unification in 1990. Germany may not now pres ent a danger of war in Europe. But the French can see that there are only two possible paradigms: an integrated Europe with laws and institutions, in which France and Germany share the leadership: or a disintegrated Europe, in which Germany be dominant and uncontrolled, with consequences that cannot be fore-

If this is the choice, it is obvious which way France must go. An integrated Europe is possibly not what Chirac would prefer, but that is what he will go for. The paradox is that, for the same asons, an integrated Europe is also in the UK's interests, even if the British were to prefer to stay outside



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LETTERS TO THE EDITOR.

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Restricted view of solution to jobs

From Dr John Philpoti Sir. Martin Wolf ("Path to full employment". January 9) notes in passing the principal conditions for full employment as espoused by the late Professor James Meade, But while discussing at length the supply-side conditions - the need for tax/benefit reform to help price unskilled people into work without driving them into penury - he is silent about Prof Meade's views on the role of demand management. This silence is symptomatic of the tendency days for macroeconon to lurk in the background of discussion of solutions to

memployment. Prof Meade was surely right to question the obsession with monetary-based inflation targets and instead call for an animasch to controlling inflation that does not involve such massive cost in terms of lost output and jobs. Meade's proposed alternative - the setting of a target for money gross domestic product and, in consequence, the pursuit of fiscal and monetary activism to control aggregate expenditure - is not of course unproblematic and might prove difficult to implement Moreover, any politician wishing to add demand management to a toolkit for full employment would almost certainly have to give renewed thought to the role of "income policy" - something that few at present seem willing to

contemplate These are nonetheless issues that must be confronted by those who seriously wish to tread the path of full employment. Supply-side reforms - however important and justifiable in themselves cannot be fully successful in a vacuum of demand.

John Philport. director. Employment Policy Southbank House. Black Prince Road,

From Mr Gobind T. Nankani.

shows limits of World Bank

adviser rules" (December 18)

on Companhia Vale do Rio

Doce (CVRD) procurement

issues was imaccurate. The article implies the World Bank

privatisation process in Brazil.

The article also implies that the procurement procedures

process are those of the World

is financing the CVRD

used for the choice of the

financial adviser for the

We are not.

Sir, Your article "CVRD sale

Laying blame for economic crisis

Str. Congratulations are in order. In your editorial "Piscal crisis of the state". January 6) you finally recognised that inherently destabilising contradictions lie at the centre of the system of global capitalism - contradictions that in our day make mockeries out of the states that try to manage it (feebly, to be sure), and diminish their governability. (Gaullist France

But rest assured - France is hardly alone.) One shudders to contemplate whether the world revolution can be very far behind. "Governments will be punished if they inflate their

comes immediately to mind.

way out of their (slow-growth, highly indebted | quandary." the editorial stated. Subtly left unstated was the

exact nature of their judge and executioner: the capital markets. Governments will be punished by the markets, in other words, should they commit the crime agains capital of siding with humanity and upholding their end of the social contract. "[Governments] will not be

permitted to tax their way out," the editorial concluded. and their economies probably will not grow out of it either. What is left is just to whittle away unceasingly at the promises made in an earlier. happier era. No wonder

politicians are so unpopular. To put to mildly. And yet, I wonder. Do politicians really deserve all of the blame? Might not somebody, or something, else, also share the fault?

For politics is indeed "the shadow cast on somety by big business", as the American philosopher John Dewey saw clearly, and "the attenuation of the shadow will not change the substance".

Dewey, of course, was right, But reading the Financial Times, one gathers that it's not supposed to, anyway.

David Peterson. 99401 S. Springfield, Evergreen Park, Illinois 60805, US

Misgivings over Russia's alcohol law

From Mr T.W. Jackson. Sir, John Thornhill's article Russian spirits hit by vodka imports" (January 4) about the problems facing Russian vodka producers touches on new legislation which will hinder opportunities for EU spirits

The European spirits industry regards Russia as a market of great potential for its products and therefore views the impending Alcohol Control Law with considerable misgivings. The law will place

stringent quantitative restrictions on spirits imports. and will also severely limit much needed foreign investment in the Russian spirits industry.

restrictive measures directly contravene the provisions of the recently concluded EU/ Russia partnership and co-operation agreement and the requirements of the World Trade Organisation, which Russia aspires to join. While we have sympathy

with the task facing spirits producers in Russia as they grapple with changed market conditions, recourse to protectionism and ignoring international trade obligations are inappropriate solutions. These protectionist and

> T.W. Jackson. chairman of the trade committee, European Confederation of Spirits Producers, Ave de Tervueren 192 bte 2. B-1150 Brussels, Belgium

Ethnic nationalism no threat

Prom Mr K. Cakarogiu. Sir, Edward Mortimer is too pessimistic about a threat of ethnic nationalism in Turkey ("An identity crisis", January 3). I agree that the failure of the pro-Kurdish Haden party to secure any seats in parliament is unfortunate. However, one should bear in mind that the 10 per cent national threshold was applied to all parties. Consequently, even the junior coalition partner in the recent government had difficulty securing more than 10 per cent of national votes; moreover the nationalists who favour the use of force against the PKK failed to qualify for the

World Bank and privatisation of Brazil's CVRD

Bank. While the Brazilian

authorities have chosen a

process which has many

similarities to those of the

significant differences. In fact.

present World Bank guidelines

do not provide for elimination

World Bank, it has some

of firms on the basis of

deviations from the average

Finally, while the World Bank is indeed in the first

guidelines for the choice of

consultants, bank policy in one

stages of reviewing its

parliament. I have heard different estimates of the number of Turkey. On average, foreign sources agree on a figure close to 15m. This compares very poorly with the 4.2 per cent share of the national vote that the pro-Kurdish party achieved in the December 24 election. Besides, in Istanbul where

there appears to be a large Kurdish community, the pro-Kurdish party received an insignificant number of votes. This suggests that a harmonisation of the Kurdish ethnic minority with the rest of the population has largely taken place and hardly warrants an ethnic nationalist threat for the country.

K. Cakarogiu Sariguzel Cad Filiz Apt. No.1/2.

area will remain firm: price

a factor in the selection of

the bank will never out its

Gobind T. Nankani.

Caribbean region,

The World Bank,

1816 H Street NW.

country department I, Latin America and the

Washington SC 20483, US

director,

will never overtake quality as

consultants. I assure you that

clients in a position of paying peanuts to monkeys.

No point in a witch-hunt

From C.A. Lieuvellen Palmer. Sir. The UK Personal Investment Authority has no future as a consumer watchdog leading Which? style witch-hunts against high

charging companies. This serves to discourage investors absolutely from pensions and savings plans and to keep their cash in the building society for the long

By publishing the information the charges are seen in a negative light. The PIA itself is paid out of these charges. If companies overcharge then it is for the PIA to deal with them on an individual basis - it should not first by publishing league tables.

The consumer, when choosing, is faced with an overload of information and inevitably will be guided by the adviser. The key feature is

trust This is what other professions have attained solicitors and accountants and others and this is what the PIA should focus its attentions on.

C.A. Llewellen Paimer, 1 New Row, Brockhampton Andoversford, Cheltealaum Gloucestershire GL54 5XQ

Personal View · Jacques Calvet

A case for quality control

Stricter EU standards on car emissions are not the answer to pollution problems



The state of the environment la crucial to everybody's quality of life This makes it a primary consideration in the management of modern econonies. And it means that pollution - the inevitable byproduct of any human activity

It is precisely because of their importance that environ-mental issues need to be addressed on the basis of in-depth scientific observation. Yet the environment is a sub-ject in which emotional or irrational arguments all too often hold sway, resulting in hasty or contradictory decisions. This has sadly been the case with the vehicle emission standards set by the European

must be controlled.

Contrary to popular belief, air quality in Europe has improved markedly in recent years and improvements in automotive technology have made a big contribution to this. Cars marketed in the EU this year will emit between eight and 10 times fewer pollutants than those sold in the early 1980s. By 2000, 20 per cent of cars on the road are likely to account for 80 per cent of emis-

But the cost of achieving this at FFr44hn (£5.28bn) a year

been very high. This has acted as a burden on the competitiveness of European manufac turers at a time when the market for cars has been weak (contracting by 16 per cent between 1992 and 1993) and EU unemployment has been rising sharply.

The principal reason for this high cost has been the Euro-pean Commission's decision to concentrate on emission standards. Faced with a lack of environmental data, officials chose strict emission standards as the route to lower pollution. reasoning that the new regulations were at least a step in the right direction.

Not only was this a blind approach that failed to take costs into account, it also had some 1 unintended consequences. For example, the regulations caused average fuel consumption to rise by some 5 per cent because they forced carmakers to equip petrol engines with catalytic convert-Tougher rules

would hobble Europe's fragile manufacturers and economy - all for the sake of a marginal reduction in vehicle emissions

in the EU as a whole - has

ers to control harmful emissions. But this extra petrol consumption might itself have increased emissions of carbon dioxide A decision to impose even

stricter emission standards for new cars in 2000, in line with the Commission's present plan. would further increase costs unnecessarily. What is more, European carmakers would have difficulty passing on these costs in full to consumers, so their profit margins - already unacceptably thin at about 1 per cent of turnover would be squeezed.

Tougher regulations, in other words, would further hobble Europe's fragile manufacturers and the economy at large - and all for the sake of a marginal reduction in vehicle

The main consequence of trying at all costs to purify the air that will be breathed in 10 years' time by EU citizens, might be to strangle their present consumption and place their jobs at risk.

Fortunately, the European Commission is coming around to a much more intelligent approach to environmental protection by setting targets for air quality. This initiative is replacing the traditional approach, which was to apply ever stricter emission standards to new cars by adding increasingly sophisticated antipollution devices.

The new approach involves oil companies, tyre manufac-turers and road builders, as well as carmakers, and takes account of local conditions. The first benefits of this

emerged recently with the

by the so-called Auto-Oil programme. a scientific and economic study group set up by the Commission in 1994.

These initial results show that the maintenance of present EU car emission standards should be enough to ensure that Europe's air quality reaches World Health Organisation targets in 2010. In other words, stricter EU emission standards are unnecessary.

Admittedly, about 10 per cent of the EU's population still has to cope with a acceptably high pollution levels and. in these cases, the situation does, of course, need to be improved. But it would be more effective and less costly for everyone - including the regions in question - to use local measures to improve air quality in these pollution blackspots, rather than tightening overall EU emission standards still further.

These local measures could include: The promotion of extraclean fuels for use in cities, of

the type already available in The use of electric cars and natural gas-fuelled vehicles;

 The installation of new electronic systems to improve traflic flows; and

• The greater use of incentives to accelerate the vehicle replacement cycle. A rational and intelligent

posed by environmental degradation should stop here.

approach to the challenges

The author is chairman and chief executive of PSA Peugeot Citroen, the French carmaker.

Creating jobs in Germany

major economy in Europe, but it too has caught the European employment disease. Even in what is. admittedly, a weak cyclical upswing its overall unemployment rate is 11 per cent. Some action must be taken. But the proposal from Mr Klaus Zwickel, president of IG Metall, the engineering workers' union, for an "alliance

Alat May be

TO BELLEVILLE

for jobs" is not a solution. The fact that Mr Zwickel has explicitly recognised the link between labour costs and employment marks an important advance. But his plan - under which employers in the metal industry would create 330,000 jobs between 1996 and 1998, in return for IG Metall's acceptance of a non-inflationary wage deal in 1997

is a fantasy. True, the proposal
was enthustastically welcomed by Chancellor Helmut Kohl, who has declared the fight against unem-ployment his priority for 1996. But

that merely proves that Mr Kohl, for all his virtues, is no economist.

How could employers deliver on such a promise? Exposed to the unpredictable gales of global competition, enterprises must determine their employment by the needs of profitable survival. What Mr Zwickel desires could only be delivered by something like the old east German planned economy. Everybody in Germany knows why that collapsed.

If the plan is a non-starter, the notion of a link between costs and employment is not. But the link is not a strong one in the short run and is also likely to be very weak

Germany may be the strongest at the level of particular companies or industries.

Attempts to expand employment face at least three distinct obstacles. First, the economy is operating at below full capacity, though maybe not all that much below, since structural unemployment is widely estimated to be between 8% per cent and 9 per cent. Demand needs to expand once more, which the loosening of monetary policy last year ought to secure in the course of 1996.

Second, the real exchange rate is probably quite seriously over-valued. While the D-Mark's real appreciation since the beginning of the decade is modest, at least according to calculations by J P Morgan, the economy has to generate additional jobs for the unemployed east Germans.

Third, German employment is exceptionally dependent on manu-facturing. In 1994, 36 per cent of German civilian employment was in that sector, compared with 27 per cent in France and 24 per cent in the US. Pace Mr Zwickel, it is inconceivable that manufacturing employment would now rise. What is needed, instead, is more jobs elsewhere. But growth of services remains constrained by excessive regulation.

It is good news that Mr Zwicke understands the threat of high labour costs to his members. But the employers he confronts are not going to generate many, if any, more jobs. The obstacles to greater employment have been largely created by the politicians. They must now remove them-

Bad hatting

What's good for Vickers is good for Britain. That, evidently, is the assumption on which relations between private industry and the public service are now based in the UK. For the last two years the same person, Andrew Green, has simultaneously been head of Middle East policy at the Foreign Office and a non-executive director of Vickers Defence Systems, a subsidiary of the Vickers group.

Perhaps the most troubling thing about this fact is that nelther Mr Green nor his colleagues showed any embarrassment when it became public last week. An official spokesman justified the practice of "double hatting" (combining official duties with private directorships) as part of a policy of encouraging civil servants to offer their skills to private industry. Evidently it is quite widespread.

It would hardly have been tolerated in Gladstone's day, or even as recently as the 1970s. In those days civil servants were still zealous guardians of a notion of the public interest as something distinct from that of private companies. Now, no doubt, any civil servant who raised an evebrow would be regarded as ripe for

retirement. The directorships in question are said to be unpaid and "non-ex-ecutive". But they must still carry with them legal responsibilities to shareholders (meaning, in the case of Vickers Defence Systems, to the parent company). Mr Green, it is added, will relinquish his position

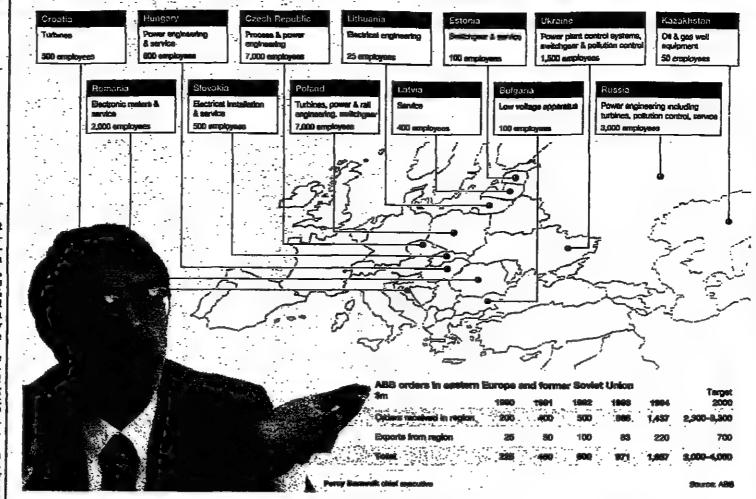
at Vickers before taking up his new post in Riyadh. One wonders why. Why should a conflict of dor, where his duties will include the promotion of Britain's com-mercial interests, if there is none when he holds a policy-making job in London with the stability of the whole Middle East to consider?

Vickers Defence Systems may be the only British first currently competing for a Saudi tank con-tract. It is hardly the only one doing business in the Middle East. No doubt the Foreign Office' expertise is shared with them all. but Mr Green can hardly serve on all their boards. Why does one company get special treatment?

Of course, it is good that some civil servants gain experience in the private sector, through periods of secondment. But surely they should know which master they are serving at any given time. The issue certainly merits consideration by Lord Nolan's committee on standards in public life.

Perhaps it is unavoidable that some parts of the government, such as the Defence Export Sales Organisation, identify strongly with the interest of British exporters. But that only makes it more important that an official with political responsibilities, like Mr Green, should be free to consider the wider public interest. That interest was not well served by unrestrained arms sales to Iran in the 1970s. The same could be true in the Arabian peninsula today.

ABB; engineering a solid base in former communist bloc



Woven into the fabric

ABB's chief executive tells Stefan Wagstyl why its expansion into the former communist bloc brings benefit to the west as well as to the group

r Percy Barnevik. chief executive of ABB, the Swiss-Swedish engineering combine, is staking his reputation on eastern Europe and the former Soviet

In just five years he has built a network of 60 companies in the region, establishing the largest manufacturing operation there of any western group. Unlike some competitors, ARB

has not been scared off by the chaos of the newly emerging market econ-omies, the vast distances or the poor communications links. The rewards are growing local sales and low-cost supplies of top-class prod-ucts for highly competitive international markets.

Moreover, Mr Barnevik believes he is making a vital contribution to the economic transformation of the former communist bloc, which he sees as the most important chalenge facing western Burope. Without investment, east Europeans and Russians will remain poor - and prev to militarism, nationalism. anti-Semitism and maybe civil war.

Mr Barnevik argues pessionately that development will bring wealth not just to the east but also to the west. "We will have a new Asia-Pacific right on our doorstep. You don't have to invest out of fear or out of charity. You can do it out of

ABB had an advantage over other western companies in moving into eastern Europe. Mr Barnevik was talking to the Polish communist government about possible investments as early as 1988. While other companies were still getting to grips with the collapse of the Berlin wall in 1990, ABB was completing its first acquisitions - of Zamech Poland's only turbine-maker, and Dolmal the country's largest generator manufacturer. This was followed by investments in Poland and

engineering complex.

ABB is weaving itself into the region's industrial fabric, particularly in power engineering where it sees great potential in renewing and replacing out-dated power stations. Its plants now range from Kiblag in northern Poland to Ust' Kameno-gorsk in Kazakhstan. It has a bomb-

scarred factory in Crostia, and another in the Bulgarian village of Petritsch which supplies switchgear to western Europe. More recently, ABB has pushed deep into Russia and Ukraine, with acquisitions including plants in St

Petersburg, Moscow, Kiev and Kharkov. The group adds a new company every month in the former Soviet Union.
Orders in the region have leapt from \$225m in 1990 to \$1.65m in 1994 and are expected to rise to between \$3hn and \$4hn by 2000 - up

to 8 per cent of the expected group 30,000 of its 211,000 staff in the former communist bloc. The move is also beloing ABB secure lower-cost sources of components such as turbines and switchgear which are up to 40 per cent

cheaper than western suppliers. The savings are playing a part in the group's cost-cutting drive which is helping win international market share against tough competition. While some rivals such as Westinghouse of the US are under pressure, ABB reported a 47 per cent increase in net profits for the first nine months of last year to \$651m.

ASB has controlled the financial risks by keeping acquisition costs low. It rarely spends more than \$20m on a single acquisition and its whole eastern network cost only an estimated \$300m to buy.

A few acquisitions have ended in disaster. The group lost \$1m when it abandoned a joint venture in Moscow after finding its would be

the Czech Republic, notably in partners were involved in organised Brno, where ABB bought a power crime. But Mr Barnevik says that spreading investment over many separate ventures in eastern Europe has been less risky than investing the \$500m or so needed for a single

western acquisition. Nevertheless, the commitment of management resources to the east has been huge, with Mr Barnevik devoting about a fifth of his time to the region. From the outset, the group decided there could only be one quality standard at ABB plants. So the group's western executives, engineers and computer experts focused on bringing eastern facto-ries up to the group's global stan-dard. "Our success is due to the intensity of these contacts," he

ne of the biggest chal-lenges has been training thousands of eastern managers and technicians. While their technical skills were often more than adequate, they usually had little knowledge of management or marketing. Factories were over-staffed and wasted space, power and materials. Managers, used to relying on government contracts, were reluctant to become sales executives. "It was a new concept," says Mr Barnevik. "They feit. like beggars going out to sell."

Managers at newly acquired fac-tories were paired individually with western counterparts. ABB strug-gled to find the right word to describe these western trainers to avoid being patronising towards their eastern charges, it tried and rejected "godfather" and "grandfather before settling on "coach". The approach has been so successful that the group is now able to use its Polish and Czech managers to train Russians and Ukrainians.

Mr Barnevik says it would have been easier in the short term to appoint western managers to run

the eastern factories. But eastern executives have much more knowledge of local conditions. It was also vital not to hurt their pride in their own traditions - ABB's St Peters-burg factory dates to 1887, its plant at Brno in Czechoslovakia to 1814. "You can't treat these people like third-world workers," says Mr Bar-

The company has transferred technology to the east - including machine tools, computer programmes, technical drawings and sales manuals. The Brno plant, for example, received a production line for control panels, transferred en bloc from a Swiss factory.

It was not always easy persuading western staff to co-operate with their new colleagues - especially as Mr Barnevik was simultaneously reducing the payroli in western Europe from 141,000 to 125,000 between 1990 and 1994. German engineers were initially reluctant to trust Polish counterparts to meet quality standards. Swedish technicians initially refused to send drawings to the new plants and later despatched plans which were writ-ten only in Swedish. "Such sabotage now mostly belongs to history," says Mr Barnevik.

He argues the investments in eastern Europe are not the cause of job cuts in the west. Many posts would have gone anyway. The new investments safeguard the remaining jobs in the west and create new ones by making the group as a

whole more competitive.

Mr Barnevik is disappointed that few other western companies share his enthusiasm for eastern Europe. He urges them to take notice of the success of companies which like ABB, have invested in the east, such as Siemens, the German engineering group, and Coca Cola, the US soft drinks company. Mr Barnevik says: "We already have the proof that it can be done. We have done it."

Head to head with the west

ne turbine, its rotor blades glinting in the wintry sun, is destined for Germany. A second is heading for India. A third for Saudi Arabia, Stefan Wagstyl writes. In five years, ABB's Zamech power and marine engineering plant in Elblag, north-eastern Poland, has become an integral element of the group's international production network The factory has been transformed from a near-bankrupt state-owned enterprise into a profitable

company, which in 1994 made net profits of \$16m on turnover of \$145m with further gains last year. Everything has changed. We did it through controlled chaos," Mr Pawel Olechnowicz, the 44-year-old plant director who

oversaw the transformation.

Mr Olechnowicz, an engineer by training, started thinking of ways of reforming Zamech even before ABB bought the plant in 1990. Then the manager of Zemech's foundry, he believed the best plan was to replace the centralised bureaucracy running Zamech with decentralised profit centres for the company's different divisions. When ABB executives arrived,

they agreed. They also saw the benefit of putting a homegrown manager, rather than an expatriate westerner, in charge of the politically sensitive work of estructuring a factory with more than 4,300 workers. To his surprise, Mr Olechnowicz was promoted to

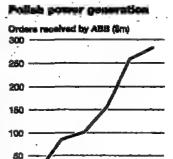
the top job.
He set about proving what he had
long believed – that given the right
management structure and culture, the plant's workers could compete

ABB brought new technology, including computers for design and management work, and new products such as gas turbines. Although the company's engine had previously worked only on less sophisticated steam turbines, they sold their first gas turbine to the west in 1991.

Production costs tumbled as modern management accounting revealed the extent to which the factory had wasted manpower, raw materials and factory space. The workforce was cut from 4,300 to fewer than 3,200 in 1993 through retirements and by spinning off support services such as cleaning into private hands. Today, Zamech is recruiting again as sales grow.

ABB has kept close control of investment spending, concentrating funds in the early years on computerising and modernising existing equipment. It has only spent heavily on new machinery in the past two years. Total

For Mr Stanislaw Wisniewski, manager of the turbine service plant, the biggest change has been in the atmosphere. "People are ready to train and learn because they feel a sense of involvement. That didn't exist before."



Enron's lessons

Mr Manohar Joshi, chief minister of Maharashtra, took something of a gamble when he cancelled the Dabhol power project in August. Had he failed to negotiate better terms from Enron, the US power company which is leading the project, the state would have been unable to meet its energy needs. Other Indian projects would also have suffered as investors took fright at the cancellation of a deal that had been firmly agreed, albeit with a previous administration.

With this week's agreement the gamble appears to have paid off, though not in nearly such a spectacular way as suggested by the cut of more than 20 per cent in the proposed price of Dabhol's power. The fine print remains opaque, but much of the revision appears more form than substance.

The new tariff, like the old one, is an indicated price in present-day money derived from prices likely to prevail when the project is up and running. But it uses a different discount rate to work back to the present day. Some of the so-called cut in capital cost relates to phase two of the project, which had never been agreed. A further cut relates to the spin-off of the regasification plant, which will preserve Euron's return while

reducing Maharastra's income. Thus initial estimates suggest Enron can expect a fairly modest cut in its real return from something like 21 per cent to 17 per cent. That is an encouraging outcome. It does not prove that Enron

was gouging the market as some thought at the outset, but it means the new Maharastra gov ernment was right to see whether any extra mileage could be won. At the end of the day Enron appears to have been left with a reasonable rate of return for a developing-country project. Little damage should have been done to India's broader reputation.

Yet that still leaves the question of whether the fuss could have been avoided. The original negotiation was flawed, perhaps because it was so experimental. There was no competitive bid and the process lacked transparency. Too little effort was made by either Maharashtra or Enron to explain the deal and justify the price.

The immediate upshot may be a further delay in other power projects as state governments try their own luck at renegotiating. In the longer run, though, there is no reason why returns on power projects should not fall gradually as the rules of privatised power become more familiar. That has certainly been the case in the industrialised world.

Eventually the Enron case may simply be seen as the start of that process in India, but it would be speedier if both sides aimed for more transparency, to reduce risk. Investors should then accept lower returns and consumers could benefit from lower prices. If India could learn that lesson, it might not even have to pay producers a return of 17 per cent.

Bissextil-ism rules

Now here's a Euro-issue into which the bickering UK Tories have yet to sink their teeth. For whilst no one is disputing 1996's credentials as a leap year, the odd sentimentalist among the Eurosceptics might feel differently about the year 2000, seeking to .. revive an early "opt-out" wielded by Britain a few centuries ago. Julius Caesar fixed the leap year

in 46BC, so that one day would be added every four years, tainging the calendar year into line with the astronomical year - with a bit to spare. The Gregorian calendar sought to be more accurate by dropping leap years at the centuries not divisible by 400. So-1700, 1800 and 1900 were not leanyears, but 2000 is. While the Gregorian calendar

was introduced around most of western Europe by Pope Gregory XIII in 1582, Britzin did not see fit to adopt if until 1752 - and hence had a leap year in 1700. Why not hang on to tradition, and be different in 2000 too - designating it a non-leap year, while the rest of Europe checks up 366 days?

Promotional

Who was that sitting in the audience, smiling sagely, as Tony Blair unveiled his new vision for

Britain in Singapore on Monday? It white trucks, always the most looked remarkably like Howard popular colour for the Bronco. Davies, the deputy governor of the snough in sava if from the

OBSERVER

Davies has been in Singapore this week and is giving a speech in-lindia tomorrow. The Bank says that he is getting to know his opposite numbers in foreign central banks. But it would be surprising if he had not used his stay in Singapore to iry and rebuild bridges following the collapse of Barings.

The sight of him heb-nobbing

with Blair in Singapore will only: acid to the speculation that he fancies his chances as the next governor.

Buck stops ■ The Ford Bronco, the vehicle

which achieved instant fame afterbeing driven by OJ Simpson's friend Al Cowlings; is about to pass into history

no nevery.

Ford is to stop building the chunky little two-door vehicle later this year - though it insists that it was not the notoristy stemming from that infamous low-speed "chase" that spelt its end. Bronco sales have been slipping

for some time. It was just too stolid-looking at a time when four-wheel drive vehicles are getting more sportly. The OJ trial produced what Ford says was "a tiny upspike in sales" – particularly in Southern California, and particularly of

popular colour for the Bronco. Not snough in save if from the

Read my lips

M Any chose as to the style of the Rahar presidency of the EU to be garinered from the body language at work in Peris yesterday?

First, a "grand bisou" between italy's handsome 73-year-old Susanna Agnelli and her French counterpart Heryé de Charette ought to have been enough to -dispel any lingering Italian ill-will over French nuclear testing.

Then there was Yesser Arabit, who was unable to contain his delight at Agnelli's complimentary remarks on the efficiency of Palestine's administration during a conference on economic assistance to the area. Brushing aside his addes. Arafat treated his "dear friend" to a regular bear hug. Sophia Loven, generally rejoicing in the title of Italy's sexiest senior citisen, had better look to her

Cry for help

Asking former Zambian president Kenneth Kaunda to talk at a conference on Africa's debt crisis is a bit like putting Imelda Marcos in charge of a shoe shop.

After all, Kaunda's well-meaning but ultimately disastrons porsuit

of his homespun doctrine of "humanism" - socialism by any other name - left the Zambian economy heavily indebted and in terrible shape.

But the Debt Crisis Network, the

London-based charity which is organising next month's meeting. is unrepentant Lenders, they say, also made mistakes: "It is not always wise to blame the victims". Zambia is one of the most

heavily indebted nations in the world in her capita terms, the charity adds. Without radical debt. relief, they will be saddled with this burden for decades to come. Sure. But how Kaunda is-

supposed to be part of the radical solution remains a bit of a mystery. Should he not share just a little of the blame - together, of course, with all those nasty commercial bankers and beastly World Bank officials who forced the money upon him?

Czech problem

Interesting to see whether the Czech Business Journal, a new business magazine aimed at the English-speaking community in Prague, continues in such high style.

The inaugural issue sports an interview with Richard Salzmann chairman of Komercui Banka. It ends by cutting him off in mid-sentence. Not something that happens very often to the doyen of Czech banking

100 years ago Rumoured new triple alliance

Berlin: Lengthy despatches have been exchanged between the Kaiser and the Czar of Russia and, as a consequence, Russia's co-operation in the conflict between Germany and England on the Transvaal question, it is asserted, is already assured. France will regulate her policy on that of Russia. The representatives of the Transvaal in Europe are making efforts to obtain the support of France.

50 years ago

Dearer steel in US soon New York: The administration has assured the steel industry that a price increase is on the way. President Truman said that as soon as the industry's figures for the final quarter of 1945 are presented, a slight increase in the price of steel will be approved, but he sidestepped questions on whether the increase will be around \$2 per ton or whether the higher price might avert the threatened strike of 700,000 CIO steel workers next week. The steel industry contends that an increase of \$2.50 per ton would be inadequate to bring operations up to a profitable level, even without workers'. demands for a two dollar a day wage increase.



FINANCIAL TIMES

Wednesday January 10 1996



State company faces battle over \$20bn plants

Taiwan plans switch to coal to meet power needs

By Laura Tyson in Taipei

Taiwan plans to build three coal-fired thermal power plants at a projected cost of T\$540bn (US\$20bn) to meet rapidly rising demand for electricity, amid fierce opposition to new nuclear power plants,

However, Taiwan Power Co (Taipower), the state power monopoly, is likely to face a battle to secure government funds for the projects and win over environmentalists and residents living near proposed sites. Plans to build a fourth nuclear

power station were frozen indefinitely last year after bids to build the reactor came in far above the allotted Taipower budget. New bids were sought for

revised contracts, but many observers believe that given the strength of public opposition, the project could be doomed.

Taipower has an electricity generation capacity of about jects, but cabinet approval is

19,300 megawatts. Each of the new thermal plants is to have a capacity of 4,000MW. Demand for electricity is rising by 6-7 per cent a year, and the margin of surplus capacity is below 10 per

Prompted by fears that Tai-power may not be able to bring new capacity on line quickly enough, the government decided to open power production to the

Japan reviews strategy

private sector. Last June, seven companies were granted permis-sion to operate power plants by 1999, and further applications are

Independent power producers are expected to provide 3m kW in extra capacity, which they will be required to sell to Taipower at a fixed price. Foreign investors may participate in power prorequired for a foreign stake above 30 per cent. Taipower hopes to begin build-

ing the new plants in the next three years. But Taiwan's envi-ronmental lobby has gathered strength in recent years and may decide to push for cleaner burn-ing gas-fired plants instead of

Of Taiwan's total installed power capacity, 13.3 per cent is hydroelectric, 60.1 per cent ther-mal and 26.6 per cent nuclear. If construction proceeds smoothly, capacity is supposed to reach 34,000MW to give a reserve margin of 20 per cent.

The government's policy is to diversify energy sources, Hydro-electric potential has largely been exploited on the highly pop-ulated island. If nuclear power has become politically unfeasible due to safety concerns and difficulties of waste disposal, this leaves thermal power as the only

Walesa wants his old job back in Gdansk shipyard

Warsaw and Anthony Robinson

Poland's most famous electrician. Mr Lech Walesa, has decided to go back to his political roots and apply for his old job in the Gdansk shipyard.

Mr Walesa took his defeat in the presidential elections last month badly. He vacated the new presidential palace in Warsaw, flew home to Gdansk and refused to attend the inauguration of his successor, Mr Alexander Kwas-

He also left a political timebomb, accusing Mr Jozef Oleksy, the prime minister, of being an informer for a foreign power. The security forces have until the end of this month to come up with

For the past six years Mr Walfrom the shipyard where he founded the Solidarity union in 1980. If he does go back to the shopfloor, he will work from fam till 2pm, at a basic salary of around \$200 a month.

As former state president, he is entitled only to a government

However, Mr Waless, who was paid \$1m in 1989 by a US studio which wanted to make a film of his life, is not hard up, although he has given large sums to charity. The tax authorities are also seeking substantial arrears on the studio payment, which his

lawyers are resisting.
Mr Walesa's wife, Danuta, told Reuters news agency she saw nothing strange in her husband's plan to go home. "As no other conditions have been provided for the first person in the state why not? We are used to living in tough circumstances," she said.

Meanwhile, some of Mr Walesa's allies suggested the move was a return to his working class roots as he sought to rebuild a constituency that could return him to power.

By applying to the Gdansk site of Solidarity's historic victory over the Communist government. The birth of the Soviet bloc's only independent trade union challenged the basis of the totalitarian government.

During the 1990s Poland's army imposed martial law and arrested

nents of the regime. In 1989, he had his revenge as he led the Solidarity movement to victory at the polls.

By refusing to hand over power personally to his legally elected successor, Mr Walesa has underlined his belief that the return of former communists to power has turned the clock back.

But much has changed in Poland since 1980, not least in the Gdansk shipyard. It used to be state-owned, like all other large enterprises. Now it is partly privatised and employees, including Mr Walesa, own 40 per cent of the plant's equity. The Polish treasury holds the balance.

The Left Democratic Alliance (SLD), the former communists who have led a government coslition with the Peasant party (PSL) as a junior partner since their two years ago, has vowed to continue with the economic and political reforms introduced by

the first Solidarity governments. But many Poles fear that the reformist intentions of the leadership are not so widely shared

FT WEATHER GUIDE

Continued from Page 1

this year's summer Olympics in Atlanta so the intervention of Mr Murdoch is likely to drive up the cost of Olympic sports rights in Europe whatever the outcome of the contest. No deal has yet been signed for the European rights for the Olympics in 2000 and

Murdoch bid | Chechens seize hundreds

Continued from Page 1

in Kizlyar and the strength of the Chechen forces. Itar-Tass said as many as 3,000 hostages had been seized by 600 Chechen fighters. Other Russian reports suggested there were 1,200 hostages and 400 rebels

Mr Yeltsin condemned his min-

sons from a similar raid by Chechen forces on the southern town

sacking of three ministers. Mr Primakov's appointment has caused some of

of Budennovsk last June. Chechen separatists killed more than 100 people before escaping into Chechnya, prompting a political row in Russia which led to the

western capitals. isters for failing to learn the les-

Europe today

pressure over Russia and low pressure south of Iceland bringing mild air towards wester Europe. A wavering frontal zone will influence Norway, the Benelux, eastern France and Tunisia with abundant cloud and outbreaks of rain. The British Isles and western France will have a few breaks in the cloud alternating with some showers. Another frontal system will cause rain in Portugal and western Spain. The east coast of Spain, Greece and southern Turkey will remain dry with sunny periods. Large amounts of rain and strong southerly winds are expected in the southern Alps. The French and Italian Alps will have heavy snow

Southerly air flow will persist between high

Five-day forecast

The western half of Europe and the Mediterranean will be unsettled and mild until next week. A senes of frontal systems will sweep across the British Isles, Norway and the west coast of the continent with large amounts of rain. Further east, the disturbances will weaken and precipitation will be less. The southern Alps will continue to have large amounts of rain and snow. High pressure over Russia will keep eastern Europe dry with sunny

TODAY'S TEMPERATURE



UK hails 'deal' with China on expanded HK port

By Geoffrey Crothall in Beijing and Simon Holberton

China and Britain yesterday agreed a long-delayed expansion of Hong Kong's container port as part of "significant progress" on key areas concerning the future of the territory, Mr Malcolm Rif-kind, the UK foreign secretary,

The agreements appear to mark a more businesslike attitude by Beijing to Hong Kong's transition than has been evident

for many years. They will be welcomed in Hong Kong, which reverts to Chinese sovereignty in 18 months, as the outcome of one of the most productive meetings between British and Chinese leaders in many years.

Mr Rifkind began a three-day official visit to China yesterday with a meeting with Mr Qian Qichen, his Chinese counterpart. In coming days, he is expected to meet President Jiang Zemin and Mr Li Peng, the prime minister. Mr Chen Jian, China's foreign

ministry spokesman, acknowledged "progress" on the con-tainer terminal had been made but stopped short of calling it an Mr Rifkind said agreement

was reached on the issuance and security of the future Special Administrative Region Hong Kong passport. He said he was now in a position to recommend course of action to the cabinet in London on the granting of visa-free entry to Britain for SAR passport holders. This could be resolved within two or three months, he added.

However, the foreign secretary conceded serious disagreements over the future of the Hong Kong legislature still existed. The Chinese position [to dismantle the legislature on July 1 1997] is well known. We disagree with it," Mr Rifkind said bluntly.

He said he received "unqualified assurances" from Mr Qian that all those who currently held Kong would retain this status after the handover in 1997.

The success of Mr Rifkind's first visit to China had been threatened by the screening on British television last night of a documentary on abuses in Chi-

na's orphanages.

Although China's foreign ministry denounced the programme as "an attack on China", both governments played down the effect it would have on overall Materal relations.

Mr Rifkind said be had raised the orphanages issue and human rights in general in a "clear, courteous and firm" manner, but received a blunt reply from Mr Qian who said the allegations made in the documentary were "completely groundless".

Boost for HK economy, Page 5

20 -9 4

THE LEX COLUMN

Germany's jobs angst

Chancellor Helmut Kohl's fight against unemployment - his number one priority for 1996 - has got off to a bad start. Yesterday's labour market statistics showed German unemployment climbing to 9.9 per cent in December, far worse than expected. The number of people out of work is now likely to top 4m this January.

The real worry is that unemployment has increased during two years of fair economic growth. Prospects for 1996 look worse. While the Bundesbank is clinging to its forecast of a 2 per cent rise in gross domestic prod-uct, the DIW economic think-tank halved its prognosis to 1 per cent yes-terday. Manufacturing industry is certainly performing poorly. Exports are softening in response to D-Mark strength and economic weakness elsewhere in Europe. At home, the picture is dominated by destocking. Industrial orders, a leading indicator, fell 0.7 per cent in the west during November. In response, manufacturers are accelerating their exodus overseas, antagonis-

ing Germany's powerful unions. Much depends, therefore, on the consumer. Tax cuts, even partly offset by increased social security contributions, will leave most Germans better off in 1996. So far, consumers have shown themselves willing to maintain living standards by dipping into their reserves: Germany's savings ratio has fallen by two points to 12 per cent in the past seven years. Whether this trend will continue in the face of rising job insecurity is questionable. The British precedent is not encouraging.

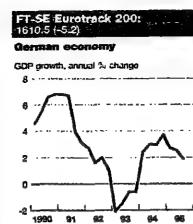
Granada/Forte

Granada's fight for Forte carries a whiff of the asset-stripping 1980s. In one corner is a defence team which plans to turn itself into a pure hotel group through £1.5bn of disposais. In the other is an aggressor offering 23.7bn for a business where it immediately plans £2.1bn of asset sales.

Nonetheless, Granada's revised bid contains a convincing riposte to the jibe that it was in danger of becoming a sprawling conglomerate. By dumping Forte's asset-intensive luxury hotels, Granada would be left with the restaurants and mid-market hotels which fit well with its management's

proven skills in catering.

There is, of course, a risk that Gran-ads will be lumbered with Méridien and the trophy hotels. Given their low return on assets, that would depress earnings. Failure to secure their sale would also push up debt, though not



to uncomfortable levels. Interest cover of four times would be higher than the three times Forte would carry after its planned revamp; the figure would rise to eight if Granada completed its

22.1bn disposal programme. If Granada can reveal some hotel deals during the bid timetable, its victory will be all but secure. Even if it cannot, the odds have turned against Forte. Its robust defence has squeezed a further £470m out of Granada. But there are questions over its commitment to delivering shareholder value. if the bid threat disappears. Separating Sir Rocco Forte's roles of chairman and chief executive would help demonstrate commitment to shareholders' interests rather than those of the family. But, at this late stage, it might not be enough.

Boeing/Airbus

Malaysia's decision to order \$ibn worth of Boeing aircraft is another blow to Europe's Airbus consortium, coming hard on the heels of Singapore Airline's \$13bn Boeing order. The tables have turned decisively from 1994, when Airbus pipped Boeing to take leadership in global aircraft orders. Boeing generated three times as much custom in 1995; Airbus has even been nudged into third place by a freakishly good performance by McDonnell Douglas.

Airbus is losing ground because it does not have a model to challenge Boeing's 747 jumbo jets. Not only does this mean Boeing is certain to win orders from airlines wanting aircraft capable of carrying 400 passengers; there is a knock-on effect for middlesized jets, since airlines save money

with a single supplier. Airbus' disadvantage will become even more severe if Boeing brings out a stretched version of its 747, capable of carrying over 500 passengers. Hence the discussions within Airbus over whether to develop a large capacity aircraft of its own. The snag is that to carry 400 or more passengers, a completely new model would be required with a research and development cost of perhaps \$8bn-\$9bn. Airbus will be hard-pressed to find such funds from its members. Another option would be to raise equity from third parties. But members, notably Aerospatiale and Daimler-Benz Aerospace, would first have to back plans to turn Airbus into a proper company.

Rhône-Poulenc

A profits warning from Rhone-Poulenc has become virtually an annua event. Since privatisation in early 1933, the French chemicals group has consistently disappointed. On the face of it, this latest upset does not look serious. The group will still report an improvement in underlying earnings for 1995. Many of last year's problems like the French transport strike and a government levy on the group's phar maceuticals arm, should not recur.

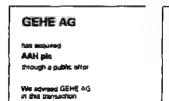
However, Rhone-Poulenc's core chemicals business slowed markedly during the final quarter of 1996. It is not alone. Destocking and falling prices have hit the industry across Europe. What is disappointing is that Rhone-Poulenc should still be hit by a downturn in bulk chemicals. The group has no exposure to petrochemi cals or plastics and has spent the past five years diversifying into value-added areas like food ingredients and pharmaceuticals.

Acquisitions, such as the £1.8bn nurchase of Fisons through Rhône-Poulenc Rorer, its US arm, have left the group highly-leveraged and the bottom line vuinerable to a shortfull in operating profits. This has been compounded by an apparently endless stream of restructuring charges. As a result, the shares are 30 per cent below their flo-tation price, underperforming France's CAC-40 index by more than 40 per cent. So far, investors have borne the costs of the management's ambitious strategy, but there is no immediate prospect of correspondingly higher

Lex comment on special dividends and House of Fraser, Page 17

Market Star

Leaders in Europe



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FINANCIAL TIMES

COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1996

Wednesday January 10 1996



IN BRIEF

Foreign earnings lift Creditanstalt

Creditanstalt, Austria's second largest bank, lifted group net income 16 per cent last year to Sch2.2bn (\$217m) as brisk international business offset lower profits from domestic operations. Earnings per share advanced from Sch46 to Sch50. Page 14

Upgrade lifts Frankfurt to all-time high In Frankfurt, the Ibis indi-



cated Dax index closed 14.71 higher at an all-time peak of 2,351.47 after Morgan Stanley, the US investment bank and broker, upgraded Germany and cut both UK and Swiss equities, hoisting Ger-many to 16 per cent of a model European equity port-folio against a benchmark of 13.9 per cent. Mr Markus

Rosgen, a Morgan strategist, said the dollar could strengthen against the D-Mark this year, which would be good for German export prices and margins. Back Page

Edipresse fails to follow fashion

Unification of share structures is all the rage in Switzerland, so it came as something of a surprise when Edipresse, the dominant newspaper and mag-azine publisher in French-speaking Switzerland, went the other way, creating a second class of shares in a move aimed at ensuring family control.

Former UE Notawios chief to head Tandem Tandem Computers, the leading US manufacturer of fault-tolerant "non-stop" computer systems, has named Mr Roel Pleper, formerly head of its UB Networks subsidiary, as president and chief executive.

Higher tax burden restraires Gold Fields Gold Fields of South Africa, the most troubled of the country's alling gold mines, reported a slight quarter-on-quarter improvement in pre-tax profits. from R299m (\$82.4m) to R304m, but this was offset by an increased tax contribution. Page 16

Sun Hung Kal makes HK34bn placem Sun Hung Kai Properties, one of Hong Kong's big-gest property development companies, raised HK\$4.04bn (US\$522m) through a share placement. The money will be used for property and infrastructure investments. Page 16

N American market helpe Rolls-Royce A sharp upturn in North America helped Rolls-Royce Motor Cars of the UK raise total world sales of its luxury Rolls-Royce and Bentley cars by 10 per cent last year to 1,556. Page 17

Blue roofs betray Philippine gold secrets By spotting the blue plastic roofs of makeshift huts from the air, foreign companies can tell where the largest concentration of small miners - most operating illegally - have gathered. Where the miners e there are often high-quality gold deposits to be found. Page 18

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Market Statistics

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Leisure group increases its bid and renews assault on hotel company's record Granada adds £500m to its Forte offer

By Scheherazade Daneshkhu and Raymond Snoddy in London

Granada, the UK leisure, television and catering group, yesterday raised its chances of winning its hostile bid for Forts, the hotel and restaurant group, by raising its offer by £500m to £3.74bn (\$5.75bn) and renewing its attack on Forte's record.

"This is the knockout blow." Mr Gerry Robinson, chief executive of Granada, said as he unveiled a package that included a special dividend of 47p to be paid out of Forte's reserves. Granada also neutralised the Council of Forts, which has the voting power to block the bid, with a £50m agreement for its trust shares, most of which will to to charity.

Granada revealed it planned an early sale of Forte's Exclusive and Méridien hotels because of the high level of interest received from potential buyers.

The increased offer adds the special 47p dividend payment to the original offer of four new Granada shares and £23.25 cash for every 15 Forte shares. At last night's closing prices, this valued Forte at 371.86p per share, excluding a tax credit on the special

The cash offer of 321.67p per Forte share was raised to 362p. Sir Rocco Forte, chairman of Forte, the UK's largest hotels group, called the offer "a 1980s style highly-leveraged asset strip". He said Granada's plans for the company were "mis-

There were no signs yesterday of concerted buying of Forte shares by Granada in the market. Some analysts thought the revised offer tilted the balance 60-40 per cent in Granada's favour. Institutional shareholders greeted the increased bid with caution. "It's a reflection of the strength of the Forte defence that



Grins from Granada: Charles Allen (left), chief operating officer, Gerry Robinson, chief executive, and enry Staunton, finance director

Granada has had to pay such a full price," said one. Apart from the revised bid, Granada launched an attack on Forte's performance.

It claimed: Granada had produced profits of £10m from its 32 roadside

profits of \$25m from 122 Trave-

• it had spent £1.2bn in takeovers and enhanced shareholder value while Forte had spent similar amounts to little effect. it would be easy to make
 £100m in savings in the first full

Forte accused Granada of undertaking a fire sale of its upmarket botels and said it estimated Granada would need to sell £2bn of assets to achieve its stated target gearing of 70 per

Lex, Page 12; Still in the balance,

desire to foster Malay entrepre-neurs capable of challenging the

economic power of the minority

Chinese population. The Hicom

sale parallels the sale of a 32 per

cent stake in Malaysia Airlines

to Mr Tajudin Ramli, another

Hicom said the securities com-

mission had required Diversified

Resources to provide a pre-tax

profit guarantee for Automotive

Malay entrepreneur, in 1994.

US paper group sees weaker markets

International Paper, the world's largest paper company, achieved record earnings in 1995, but said recent weakness in its markets was likely to continue into the

early part of this year, Mr John Georges, chairman and chief executive, said the paper and packaging markets weakened in the fourth quarter, due to customers making inventory adjustments. Once these moves were completed, "we anticipate that demand for our products will resume their growth as the economy improves", he said.

His comments follow recent warnings from European paper companies which have reported a sharp decline in demand at the end of the year amid falling paper prices and heavy destock ing by customers. There are fears that new supply coming on stream will weaken prices fur-

Yesterday Enso-Gutzeit, the Finnish forestry group, warned 1995 profits would fall short of expectations because of a sharp drop in demand.

International Paper's net income for the year was \$1.15bn, more than three times 1994's total of \$357m, a figure depressed by a \$75m after-tax charge for accounting changes. Earnings per share rose from

\$1.48 to \$4.50.

in the fourth quarter, net income rose from \$154m to \$263m, and earnings per share grew from 61 cents to \$1.01. The quarter includes a \$70m pre-tax, or 17 cents a share, restructuring charge. The group announced last week that it was shedding 1,800 of its 70,000 workforce.

Mr Georges said the group's \$3.5bn acquisition of Federal Paper Board, to be completed this quarter, expansion programmes, and improved efficiency would help profitability in 1996.

In 1995, sales rose 32 per cent, from \$15bn to \$19.8bn. The grade of paper which saw the largest sales and earnings gains was printing papers, where sales rose 40 per cent over the year to \$6.15bn. Demand in this area was high and there was a "series of price increases early in the year". Packaging earnings "also improved significantly for similar

reasons", the group said. International Paper said that several businesses, including wood products and some specialty activities, were lower for the year.

Ruso upheat, Page 14

Malaysia approves Hicom auto purchases

By Peter Montagnon in London

Mr Yahaya Ahmad is set to consolidate his position as Malaysia's leading automotive magnate after the government yesterday approved the purchase of two further companies by Hicom,

the conglomerate he controls. Ricom, in which Mr Yahaya acquired a 32 per cent stake from the government last year for M\$1.7bm (US\$666m), is to buy automotive distributor United poration for M\$650m. Malaysia's securities commis-

sion said yesterday it had approved a M\$950m five-year bond issue with warrants attached to pay for the deals. The acquisitions will add to

Hicom's automotive investments. which include a 27.5 per cent stake in Perusahaan Otomobil Nasional, maker of the Proton, Malaysia's "national car". But they will also help replen-

after his purchase of Hicom. since he controls both the companies making the sales.

Mr Yahaya, a UK-trained vehicle engineer, already had connections with Proton through his Diversified Resources company, which established a car manufacturing venture with Proton in the Philippines.

Diversified Resources, in which Mr Yahaya has a stake of about 70 per cent, owns Automotive. United Straits Fuso is

company in which Mr Yahaya has a controlling stake. The government hoped its sale of Hicom to Mr Yahaya last year

would make the conglomerate, in which it retains a 25 per cent stake, more efficient. "We find that whenever a company is owned or partially owned by the people managing the company, the performance is better," the prime minister, Mr Mahathir Mohamad, said at the time.

However, the move is also seen owned by Gadek, another listed as part of the government's

Corporation of at least M\$55m for the next three financial

Générale des Eaux sells US units for \$290m

and Richard Tomidne in New York

Compagnie Générale des Eaux, the French utilities and communications group, yes-terday said it was selling its two bottled water distribution companies in the US to Suntory, the Japanese beverage manufacturer, for \$290m.

The transaction will lift the position in the US of Suntory, which produces whisky and other alcoholic and non-alcoholic drinks, raising its position from the fifth to the second largest provider with a marThe sale covers two businesses acquired by Générale during the 1980s: Hinckley & Schmitt, which it bought in 1980, and Sierra Spring Water Company, purchased in 1988. Both supply purified water in bottles and containers.

The decision by Générale to sell reflects the French group's desire to cut the num-ber of its business sectors following a recent change of senior management and heavy provisions against property which are likely to lead to the group's first-ever

Mr Jean-Marie Messier, who took over as The two operations between them chairman of the group last year, achieved sales of \$175m in 1995 and con-

announced in the autumn his intention to refocus its activities into three principal strategic areas: international water, talecommunications and electricity production. In the past, it had operated a widerange of businesses in diverse sectors including water, energy, property, envi-ronmental services, and construction

It said the sales of the only two bottled water distribution subsidiaries it owned reflected its policy of divesting its "less strategic" businesses.

trolled 5 per cent of the market, placing them in third position in the US. During 1994, Hinckley & Schmitt reported a 10 per cent increase in turnover from the previous year to \$162m and a 28 per cent rise in net income to \$8m. It had reported an average 10 per cent annual sales growth in the previous decade.

The deal is expected to be completed in

Bottled water is a growing sector in the US, currently worth \$3bn a year. But it is small in relation to other beverages. For example, the market for carbonated soft drinks is about \$51bn.

Barry Riley

Dividend income wilts in the bull market



worldwide now yield a miserly 2.16 per cent. This is not quite a record low, however, because the yield dipped

slightly below 2 per cent in 1987, when Wall Street was in the precrash stratosphere and Tokyo, with a tiny dividend yield, had a near-40 per cent weighting in the Now Wall Street is somewhere

up in the ionosphere by comparison, and the dividend yield on the S&P 500 Index is 2.3 per cent, less than the lowest seen in 1987 and a full percentage point below the 10-year average.

Does it matter? The "this time

it's different" school has several explanations for the apparently declining dividend expectations of investors. Mostly these relate to tax. Internationally, dividends are seen as inconvenient by many cross-border investors, forced to grapple with the withholding taxes imposed by governments. Global institutions, unlike some private investors, do not actually law off dividends.

In the US, meanwhile, now boasting the 40 per cent World Index weighting once enjoyed by Japan, the company tax system is unfriendly to dividends. This has encouraged the US company sector to return cash to shareholders by buying stock in the market, these buy-backs recently amounting in aggregate to about half the value of conventional dividends. But as a recent paper from the Federal Reserve Bank of New York pointed out, it is right to take issuance into account as well as buy-backs. On a net basis,

On average, market purchases fall well short dend acceleration. Recently, company shares of closing the historical dividend inflation around the world has gap. Moreover, such cash trans-fers through the market are of a the yield ratios have not much lower quality than dividends because they can be turned on and off like a tap; cancelling market purchases would carry none of the stigma of a formal

> The only valuation measure that stands up apparently healthily today is the bond/equity yield

In 1987, US Treasury bond ket.

As for Japan, there is no obvious relationship at all between bond and equity yields

yields backed up to 10 per cent and screamed a warning. Today, in contrast, bonds yield nearer 6 per cent and the ratio is close to its average for the past decade of 2.6. Similarly, in the UK the yield ratio of 2.06 is undemanding by

recent historical tests. But how long is a piece of history? After all, you may also notice that the UK market's dividend yield has only started the year below 4 per cent once in 20 years. That was in 1994, when the market fell sharply during the first half-vear.

Yield ratios were much lower until the late 1960s - only 1.2 for the UK market at the beginning of 1967.

rapid dividend growth, whether because of inflation or real divi-

inflation around the world has dipped back to 1960s levels but

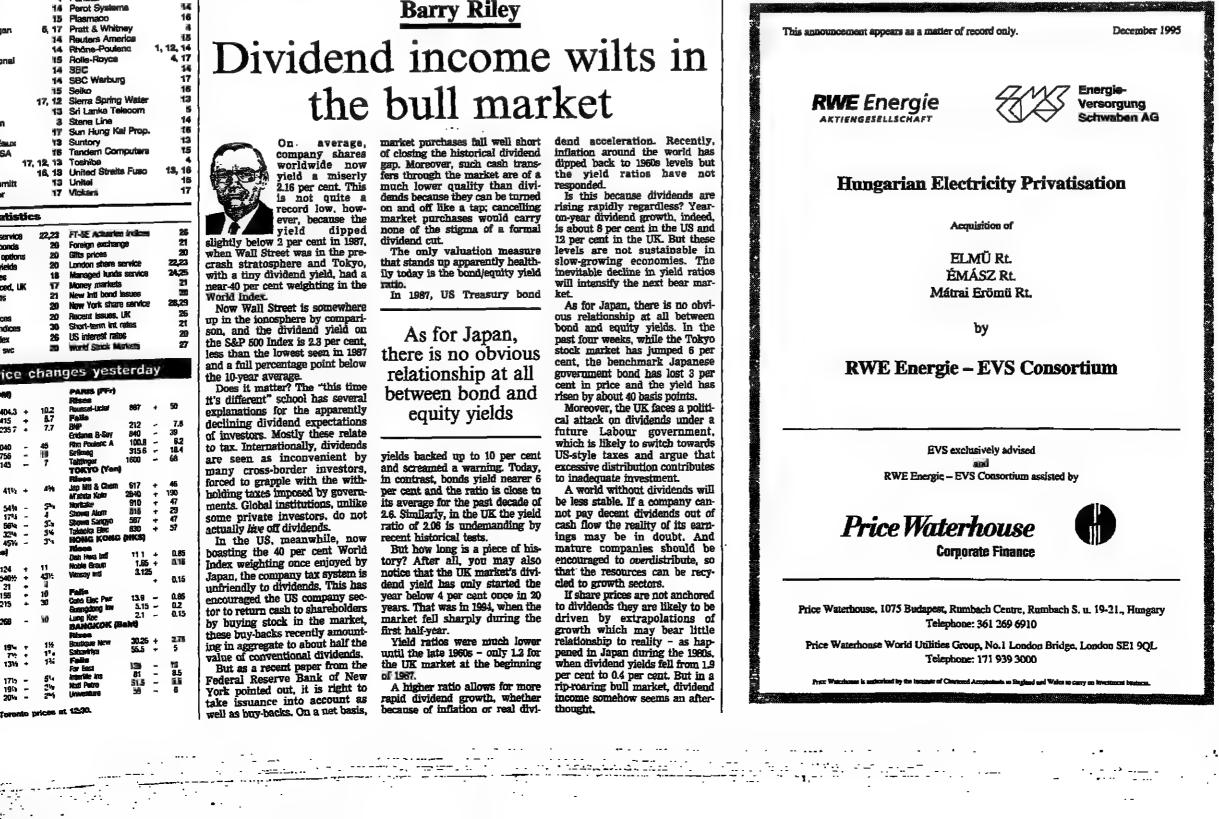
Is this because dividends are rising rapidly regardless? Year-on-year dividend growth, indeed, is about 8 per cent in the US and 12 per cent in the UK. But these levels are not sustainable in slow-growing economies. The inevitable decline in yield ratios will intensify the next bear mar-

As for Japan, there is no obvious relationship at all between bond and equity yields. In the past four weeks, while the Tokyo stock market has jumped 6 per cent, the benchmark Japanese government bond has lost 3 per cent in price and the yield has risen by about 40 basis points.

Moreover, the UK faces a political attack on dividends under a future Labour government, which is likely to switch towards US-style taxes and argue that excessive distribution contributes

to inadequate investment. A world without dividends will be less stable. If a company cannot pay decent dividends out of cash flow the reality of its earnings may be in doubt. And mature companies should be encouraged to overdistribute, so that the resources can be recy-

cled to growth sectors. If share prices are not anchored to dividends they are likely to be driven by extrapolations of growth which may bear little relationship to reality - as happened in Japan during the 1980s. when dividend yields fell from 1,9 per cent to 0.4 per cent. But in a A higher ratio allows for more rip-roaring bull market, dividend income somehow seems an after-



INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Eurotunnel blamed for Stena setback

Intense competition from Eurotunnel meant Stena Line, the Swedish ferry operator, suffered a 6 per cent fall in passenger numbers on sailings between Dover and Calais, its main IIK route, last year. But Stena said numbers would have fallen even further without a 25 per cent increase in the size of the total cross-channel market in 1995. The drop in Dover-Calais passenger numbers to 3.27m was the main reason for the 2 per cent fall in Stena's total UK passenger traffic last year to 9.86m. But the group's overall passenger traffic increased 1 per cent to 14.9m because of increased volumes on its Scandina-Christopher Brown-Humes, Stockholm

Fielmann close to German buy

Fielmann, Europe's leading optician, yesterday said it hoped to complete talks for the takeover of Carrera Optic, the Ger man frame producer, by mid-February. The move marks a considerable expansion in Fielmann's production capacity The group is negotiating the deal with Safilo, the Italian frame producer, one of Fielmann's main suppliers and one of the best performing stocks on the Italian market last year. The deal would also mark a further significant expansion outside Ger-many following the recent purchase of the Swiss opticians group Pro-optik. Fielmann already has stakes in several Italian, French and Japanese frame producers. Michael Lindemann, Bom

SBC, Perot Systems in link-up

Swiss Bank Corporation and Perot Systems of the US have formed a strategic alliance to develop and market financia industry related information technology (IT) products and services. Terms of the deal are broadly in line with those disclosed when a letter of intent was signed last September. SBC will transfer its IT specialists from its SBC Warburg subsidiary to Perot, a private company specialised in comput er-based information systems, and Perot will take on the management of SBC Warburg's IT infrastructure.

SBC has purchased an option to buy 10.9m shares in Perot, founded in 1988 by the US independent politician Mr Ross Perot. The US company is also buying a 40 per cent stake in SBC's Swiss IT subsidiary, Systor. It was originally planned that SBC would buy a 24.9 per cent stake in Perot, but the bank said for regulatory reasons it had decided to buy a long-term option for 10.5m shares instead. The bank said 550 of its 700 IT specialists had already agreed to join Perot and the rest were expected to follow.

Paribas to reshape forex side

Paribas, the French financial group, is to transfer its London foreign exchange trading operations to Paris as part of a "rebalancing" into three centres around the world. The group confirmed yesterday that most of its 20 staff would be transferred or moved to other jobs, leaving just a handful of foreign exchange employees in London to deal with marketing. It stressed that London remained an important centre for other activities, in which it employs about 1,200.

Andrew Jack, Paris

Daimler to part with stake

Daimler-Benz, the German industrial group, plans to sell its remaining 7.33 per cent stake in Metallgesellschaft. It said its participation failed to meet the strategic goals it had set when buying the stake. It was "not in a rush" to sell the stake, worth more than DM320m (\$222m) at current prices. AFX News, Stuttgart

despite cut in earnings expectations

By Christopher Brown-Humes

Enso-Gutzeit, the Finnish forestry group, warned yesterday its 1995 profits would fall short of expectations after sharp production cutbacks in However, it insisted it would

the final months of the year. still achieve one of the best results in its history because of higher than average prices, increased deliveries and a more efficient corporate struc-

ture over the full year.

The group said 1995 operating profits would be about FM3.6bn (\$825m), up 50 per cent on 1994 and equivalent to 17 per cent of total sales of FM21bn.

In summer, when the pulp and paper industry was more confident about prospects, the group predicted it would schieve an 18 per cent operating margin in 1995.

After two years of growth, the pulp and paper industry was hit by a dramatic reversal in sentiment in the final months of 1995, resulting in significant production cutbacks and lower prices. particularly for fine paper and

Enso said it had cut pulp and fine paper production by 300,000 tonnes in the second half as part of an industrywide effort to reduce the excess inventories which were blamed for the sector's diffi-

At the same time, Veitsiluoto, the Finnish forestry group which will formally merge with Euso on May 1, will cut production by 140,000 tonnes. Rnso said the combined reduction of 440,000 tonnes was squal to about 8 per cent of their production capacity of 5m tonnes a year.

Enso said it would cut production further in the early months of 1996 to help restore balance in the pulp and fine paper sectors. Enso said demand for news-

print remained strong, and that its order book for food packaging boards was normal. Veitsiluoto is expected to report operating profits of about FM1.47bn for 1995, or 21 per cent of sales of FM7bn.

Enso upbeat | Foreign activities help Creditanstalt rise 16%

Creditanstalt, Austria's second largest bank, lifted group net income by 16 per cent last year as brisk international business offset lower profits from

Group net profit climbed from Schl.9bn a year earlier to Sch2.2bn (\$217m) in 1995. Mr Guido Schmidt-Chiari, chairman, said yesterday. Operating earnings rose 4 per cent from Sch5.7bn to Sch5.9bn, while earnings per share advanced from Sch46 to Sch50.

Mr Schmidt-Chiari attributed the improved results to higher earnings from foreign subsidiaries, especially in the US and Brazil. International activities made up half the group's business volume and contributed two-thirds of net income, he said.

Domestic business was under strong pressure because of weak credit demand, narrower loan margins and a record number of business failures in Austria. Earnings from Creditanstalt's industrial holdings were higher, however. "The economic outlook is not rosy, but we assume that our reorganisation will lead to better results this year," the chairman said.

Creditanstalt parent bank added Sch3.1bn to its domestic loan loss provisions, up from Sch2.7bn in 1994. In marked contrast to previous years, the bank was not forced to make net provisions for its foreign loans.

The expansion in eastern Europe, where Creditanstalt has become a leading force, continued last year with new capital investment of Sch500m and a further build-up in personnel. "We are cutting back domestically and expanding in the neighbouring countries," Mr

Schmidt-Chiari said. Combined operating earnings from Creditanstalt's subsidiaries in Hungary. Poland, Slovakia and Slovenia climbed 11 per cent from Sch330m to Sch366m and were all reinvested locally.

Creditanstalt has been assured by Moody's that it will not be affected by the rating agency's re-evaluation of Austrian banks, Mr Schmidt-Chiari

On Monday, Moody's announced it

would downgrade several banks in Austria because of structural weakness in the financial sector. Creditanstait's long-term debt is rated Al by

Moody's. Mr Schmidt-Chiari did not reveal any new developments in the status of Creditanstalt's privatisation but expressed confidence the government would sell its 17 per cent controlling stake this year. Creditanstalt's privatisation has been held up by political squabbles for

Mr Viktor Klima, Austria's new finance minister, said last week he would not reopen the public tender that was cut short last October when the governing coalition broke up, but would negotiate with the bidders at hand.

Rhône-Poulenc struggles to defy sceptics

New profit warning has reaffirmed pessimism about group's outlook, says Daniel Green

Chemicals company which yesterday issued a profits warning, are no strangers to disappointment.

They had, until yesterday, some reason to hope that matters were changing. Since a series of profits warnings in the early 1990s, the company had been privatised and restructured with a series of disposals and acquisitions. In addition, the chemicals industry as a whole last year experienced a long-awaited recovery in both the price of its prod-

ucts and the volumes sold. At the time of the third-quarter figures in October 1995, Rhone-Poulenc's net profits looked good - FFr1.96bn (\$397m) for the nine months, up 71 per cent on a year earlier. Management was upbeat, forecasting "a significant improvement" for the year as a

It all seemed like a confirmation of the earlier optimism of Mr Jean-René Fourtou, chairman. When annual results were released a year ago, he said the company had under-gone a "profound transformation" and forecast continued improvement. Not least its complicated capital structure caused by the government's pre-privatisation insistence that its stake should not be diluted - had been significantly simplified.

However, the majority of investors had remained sceptical. Last year, Rhône-Poulenc stop analysts from cutting

hareholders in Rhône- shares underperformed the Poulenc, the French already depressed Paris stock chemicals company exchange's CAC 40 index by 15 per cent, Against the European chemicals index, the decline

was 24 per cent. Ms Jacki Ashurst, chemicals analyst at James Capel, the UK securities house, identifies several factors affecting investors' perception of the company. They include:

 continuously high restructuring costs - 1994 provisions were FFr881m. • the difficulty of tracking the

company's financial performance through the welter of deals. The company is renowned for providing large volumes of financial and operational data. But the plethora of acquisitions and disposals have made year-on-year comparisons of the underlying businesses difficult.

• a rise in the gearing, to about 60 per cent, following the acquisition in October of UK drugs company Fisons. Rhone-Poulenc's manage-

ment had a different set of reasons for yesterday's warning. It blamed a downturn in the French economy "visible from last September" - the group generated 21.5 per cent of its sales in the domestic market during 1994, the last year when figures are available. It also blamed the transport strikes which gripped the country before Christmas and a French government levy on pharma-

cyuticals companies. Such one-off effects did not

their long-term profits forecasts. James Capel lowered its forecast for 1995 net profit by FFr200m to FFr2m, and the 1996 net profit figure by

FFr400m to FFr2.6m. Nevertheless, it is possible to find reasons to hope that the company may eventually turn itself round.

Its strategy has been to focus on higher value-added activities, shifting from bulk to speciality chemicals, and withdrawing from markets where the resources required for market leadership are too great.

The £1.8bn (\$2.8bn) Fisons acquisition fitted well because pharmaceuticals companies are historically more profitable than commodity chemicals and less subject to buffeting from economic recessions. According to some analysts.

it is that kind of deal that

bolds the best chance of a

share price recovery. If investors can be persuaded to see Rhône-Poulenc as a pharmacenticals company with chemicals interests, rather than a chemicals company, then the share price should rise to levels enjoyed by the more highly valued pharmaceuticals sector. Rhône-Poulenc's prospective price earnings ratio for this year is 12.2, compared with a ratio of about 21 for the world drugs industry.

But even there, Rhône-Poulenc faces difficulties in settling in its new acquisition. Rhône-Poulenc Rorer, the 68 per cent owned US-based drugs company, said yesterday its profits COMPANY PROFILE: Rhōne-Poulenc



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would be "in line with the consensus of analysts' expectations" only if exceptional items relating to the acquisitions of Fisons and the US biotechnology company Applied Immune Sciences, as well as the French government levy, were excluded, RPR is France's largest drug producer and may have to make the biggest single contribution of any pharmaceuticals company in

France. Before investors reconsider their view of the company, further rounds of disposals and acquisitions may be required. That would mean further difficulty in assessing how the group is progressing, further provisions for restructuring and perhaps higher debt.

More than two years on from privatisation, investors and analysts believe that Rhône-Poulenc faces more turbulence. The prospect of corporate stability appears to be too far into the future to be a factor in the assessment of the company's

This announcement appears as a matter of record only.

November 1995

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PEUGEOT FINANCE INTERNATIONAL N.V.

FRF 12,500,000,000

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Senior Lead Managers Banque Nationale de Paris Commerzbank Aktlengeseilschaft, Succursale de Paris Deutsche Bank AG, Succursale de Paris Midland Bank Plc, Paris Branch

Argentaria/Banco Extérior de España, Paris Branch Banque Française du Commerce Extérieur Caisse Centrale des Banques Populaires

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Banca Commerciale Italiana SpA. London Branch

Banca Nazionale del Lavoro S.p.A., Succursale de Paris

Union Bank of Switzerland Banque Fédérative du Crédit Mutuel Bayerische Vereinsbank AG, Succursale de Paris Caisse des Dépôts et Consignations Crédit Industriel et Commercial de Paris DG BANK, Deutsche Genossenschaftsbank ING Bank, Paris Branch

The Toronto-Dominion Bank WestLB Group Banca Monte dei Paschi di Siena SpA, London Branch Banca Popolare di Milano, London Branch Banco Santander S.A., Paris Branch

The Sanwa Bank, Paris Branch

Sogenal, Strasbourg

Bank of America NT & SA The Bank of Tokyo Ltd, Paris Office Banque Bruxelles Lambert France S.A. Banque Sanpaolo Banque Worms BHF-Bank Aktiengesellschaft Caja de Madrid The Chase Manhattan Bank, N.A. Crédit du Nord Credito Italiano SpA, Paris Branch The Dai-Ichi Kangyo Bank, Limited, Paris Branch Kredictbank, Succursale française Lyonnaise de Banque The Mitsubishi Bank, Limited, Succursale de Paris NationsBank Royal Bank of Canada Group Republic National Bank of New York

> Facility and Swingline Agent ABN AMRO Bank N.V.

Profit growth at Akzo Nobel tapers off

By Ronald van de Krol in Ameterdam

Akzo Nobel, the Dutch chemicals group, said profit growth tapered off in the sec-ond half of 1995 after a strong start to the year. Mr Cees van Lede, chairman, said the company stood by previous predicbefore extraordinary items would be higher than in its for the third quarter. This contrasted with the 18.3 per

"However, the strong improvement in results of the first two quarters could not be maintained," he said.

Akzo Nobel's shares fell 2.3 per cent to close down Fl 4.30

at Fl 184.20 on a slightly lower Amsterdam stock exchange. In November, the company reported virtually flat net prof-

cent increase in net profits before extraordinaries recorded

in the first half of the year. Mr van Lede blamed the slowdown in profit growth on

lower-than-expected economic activity on its main markets, as well as on the destabilising effect of the weaker dollar. Pharmaceuticals, one of the

growth until the fourth quarter, when it was affected by controversy in the UK over a government warning about oral contraceptives. "This illuswe make in the healthcare sector do carry risks," he said, without giving details of the

Edipresse fails to follow fashion

nification of share structures is all the rage in Switzerland as Swiss quoted companies become more investor friendly. Swiss Reinsurance, Zurich Insurance and CS Holding have just done it and Union Bank of Switzerland has been tied up in court for over a year

for trying to do it.
Thus, it came as something of a surprise when Edipresse the dominant newspaper and magazine publisher in Frenchspeaking Switzerland, went the other way, creating a second class of shares in a move aimed at ensuring family con-

Moreover, the company claims the step was part of a strategy to improve the group's investor appeal and raise more money in the capital markets in the next few years. Mr Pierre Lamunière, chief

executive of the group, acknowledges that this structure means minority shareholders have little power to provoke a takeover or change in management if things go wrong. I make no moral judgment about it; the important thing is that we were clear and transparent," he says. Mr Lamunière, whose family

holds about 70 per cent of Edipresse's equity, says the group foresaw the need to raise large sums in capital markets and so wanted the public float of its shares to be larger, but it also wanted to maintain family con-

its solution was to split each of its 545,000 SFr100 nominal hearer shares into one new SFr50 bearer share and five SFr10 registered shares, each with one vote. Under this structure, the

family could retain absolute voting control with a commitment of only 30 per cent of the equity capital. The family intends to let its capital commitment slide by not participating in future rights issues.

Edipresse Share price relative to the SMI Index

However, Mr Lamunière says the group will only raise new equity capital when it has a big acquisition lined up. The first step in this direction could come fairly soon. In February, shareholders approved a 20 per cent increase in authorised capital to SFr65.4m (\$56.2m).

In the past six years, Edi-presse has consolidated its position in the Swiss French language print media market and made a successful foray into Spain. After recording a loss of SFr6.4m in 1993 because of high restructuring costs, it produced net income of SFr29m last year, representing a 32 per cent return on equity. Analysts are looking for double digit profit increases this year and in 1997.

Edipresse's roots are in a diversified range of publishing assets: a printing plant in Lausanne, two newspapers, the popular 24 Heures and the middle-market Le Matin; and large stakes in Kiosk and Naville, the two Swiss media distribution companies.

In 1989, it began to sharpen its focus. Kiosk, which mainly operates German-speaking Switzerland, was sold to Mercur, a Zurich diversified group, and a 65 per cent stake in Naville was sold to Hachette of France. Two years later, Edipresse bought La Tribune de Genève, a failing middle-market paper, revived it and drove its main competitor, La Suisse, out of business. It started a quality paper, Le Nouveau Quotidien, which is making life difficult for the venerable Journal de

The result is that while the total number of advertising pages in the French Swiss press declined by more than a quarter between 1990 and last year to 54,266 pages. Edipresse's volume rose more than a third to 21,401 pages. Mr Lamunière says the key to success in the Swiss French market has been recognising the limits imposed by its relatively small size - a population

dipresse prints most of its papers, with considerable overlapping of editorial and advertising material, at a single printing plant. It inserts several specialised supplements into the papers because the market is too small for stand-alone speci-

alised publications. The group's dominant posi-tion in French-speaking Switzerland means it has little potential to expand there, and in 1991 it began looking for tar-

Most European countries were ruled out as being too crowded but it targeted a Barcelona magazine publisher, El Hogar Y la Moda, whose family owners had succession problems. The price was not dis-

The deal has proved success ful, with the former managers continuing to run the business and Edipresse providing strategic direction and some technical know-how. Eight new titles have been added to the original three. One of them, Clara, has become the largest selling women's magazine in Spanish. with 300,000 copies per month

Another venture in Portugal is about to turn the corner, and Edipresse directors are assessing South American markets. In September it acquired, together with another Swiss group, Przyjaciolka, a Polish

"Our strategy is to work in little markets, places where Bertelsmann or Hachette are unlikely to be interested," Mr

Lamunière says. Its experiences in Spain and Portgual have taught Edipresse that it is worth making an acquisition to build a platform in a country. "But thereafter, we prefer growth by creation rather than by purchase. The risk is bigger at the start. but the potential pay-off is also

While acknowledging that newspaper and magazine readership is declining, the group says it is not interested in television. It believes that investing in new publications can more than offset the decline in

the market. "And each time a publisher tires himself out and loses his money by going into television. someone like me will be there to pick up his newspapers or magazines," says Mr Lamu-

Ian Rodger



The Royal Bank of Scotland pic

Scotiabank (Ireland) Limited

Standard Chartered Bank



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INTERNATIONAL COMPANIES AND FINANCE

Former UB Networks chief to head Tandem

in San Francisco

Tandem Computers, the leading manufacturer of faulttolerant "non-stop" computer systems, has named Mr Roel Pieper, formerly head of its UB Networks subsidiary, as president and chief execu-

Mr Pieper, known as a computer industry "turnround" specialist, replaces Mr James Treybig, Tandem's founder, who led the company for more than 20 years. Mr Treybig announced his intention to resign last October. He will remain a member of Tandem's

The change in leadership follows a difficult year for Tandem as the company struggled to shift its focus from proprietary technology to industry

Earnings for the fiscal year ended September 30 fell to 91 cents a share on revenues of \$1.8bn, compared with \$1.50 a share on revenues of \$1.7bn in fiscal 1994.

Tandem's problems stem from its "cultural ambivalence" toward the need to make the software from its "non-stop" computer systems available for use on computers from other manufacturers, said Mr Pieper. Tandem will now move more

software product line, he said, through industry partnerships and alliances such as those

Mr Pieper, 39, has spent most of his career in the software industry. He managed the spin-off of AT&T's UNIX systems laboratories and played a leading role in the industry shift toward "open systems" based on the UNIX operating system before joining UB Networks two years

recently announced with Microsoft, Compac Computer

and NEC of Japan.

Prior to USL, Pleper spent 10 years at Software AG, both in Germany and in the US.

O&Y creditors agree deal

Olympia & York has reached formal agreement on a finarcial restructuring of its US properties, a move which marks the second big financial reorganisation in the New York office market in recent

Last autumn, a group of investors led by Goldman Sachs secured an agreement to acquire the landmark Rocke-feller Center in Manhattan

The two agreements mark the culmination of two of the disastrous, property ventures of the 1960s. Olympia & York's US arm

was brought down by Canary Wharf, the development in London Docklands undertaken by its Canadian parent. The Rockefeller Center, meanwhile, stumbled into bankruptcy when its Japanese owner, Mitsubishi Estates, decided to walk away from what proved to be the high-water mark of Japanese investment in the US.

The reorganisation of O&Y's US buildings, which was approved in outline by the group's US board a month ago, was agreed by the main creditors of the buildings yesterday. Other creditors, as well as the US bankruptcy court, must approve the terms before they become final.

The deal leaves the bulk of the properties under the con-trol of the Bronfman family of Toronto. The Bronfmans had fought for control of the portfolio of buildings with Mr Leon Black, whose Apollo investment fund won an influential role in the restructuring after buying debt secured on some of the O&Y buildings.

Mr Black and the Bronfmans have agreed to disentangle

Merrill Lynch sets up in Jakarta

Dy Monusie Saragosa In Jakurta

Bapapam, the Indonesian Capital Markets Supervisory Agency, has granted Merrill Lynch a licence allowing it to underwrite and trade Indonesian securities on the domestic market more than a year after the US securities firm applied to set up operations in

Merrill Lynch Indonesia, a joint venture with PT Persada owned by prominent Indone-sian businessman Mr Hashim

Djojhadikusomo, has also been granted membership of the lakarta Stock Exchange.

Merrili Lynch Indonesia is 80 per cent owned by Merrili Lynch and 20 per cent by PT Persada Kian Pastilestari. The US securities house did not say how much it had invested in the joint venture.

of a joint venture company to accompany Merrill Lynch's involvement with Indosat, the Indonesian satellite communications company which was listed in 1994, was flagged in Indosat's prospectus,

However, the establishment

which states that Merrill Lynch would pay its future joint venture company about 20 per caut of the fees it received from the Indoset offer. Merrill Lynch was also one

of the three global co-ordinators for Telkom, the domestic telecoms company, which was forced to halve the size of its offering and slash the price of its shares last year because of weak global demand.

The flasco was followed by a spate of finger-pointing among the securities houses involved and government officials.

AMERICAS NEWS DIGEST

Bristol-Myers forms new unit

Bristol-Myers Squibb has formed a generic drugs unit called Apothecon Generic Development and Manufacturing Group Apornecon Generic Development and manufacturing Group within its US pharmaceuticals group. Mr Lee Burg, Apothecon vice-president and general manager, said the unit had been created to strengthen Bristol-Myers Squibb's position in the expanding generic drugs market.

"Between now and the year 2000, the US generic market is expected to expand at an annual rate of 15 to 20 per cent, and an estimated \$10bn to \$15bn worth of brand-name drugs will come off patent." he said.

Apothecon is currently the third leading generic pharmaceutical company in the US, with more than \$350m in

Deutsche Morgan Grenfell buv

The Canadian unit of Deutsche Morgan Grenfell, the investment bank, is to take over DFI Securities, a Toronto-based brokerage, in order to strengthen the bank's presence in the Canadian market. The activities of DFI Securities comprise international equity sales, trading and research. Deutsche Bank did not disclose the size of the acquisition, which is subject to approval by the Canadian

Mr Mark Kassirer, president of Morgan Grenfell Canada said: "With this step, Deutsche Morgan Grenfell will almost double its equity husiness with institutional investors. At the same time it will be become one of Canada's top 10 domestic institutions, and we will also intensify our research activities."

Wolfgang Minchau, Frankfurt

CPC to take \$34m charge

CPC international, the US foods group, said it would take an after-tax charge of \$34m, or \$0.23 a share, in the fourth quarter to cover the costs of combining its baking operation with the Kraft baking business acquired in October. CPC said the charge includes expected costs related to the closure of duplicate administration, warehouse and plant facilities at its existing baking business, the consolidation of redundant business systems, and the reduction of some CPC baking personnel performing duplicate tasks. Reuter, New

Reuters expands in US

Reuters America said it has bought Equis International, a Utah-based developer of technical analysis software for individual investors, for an undisclosed cash sum. It said its investment in Equis International "is not material in the context of Reuters net assets".

Reuters America will integrate the Equis International product line with that of Reality Online, a Reuters company that develops and operates a US online personal investment service, Reuters Money Network. AFX News, Lond AFX News, London

AT&T holds 33% of Unitel

AT&T, through its Canadian unit, will hold a 33 per cent voting interest in Unitel, Canada's second-biggest long-distance carrier, as part of a restructuring.

This complies with new federal government rules on ownership, Unitel said, and completes the 1994 deal under which AT&T and three Canadian banks injected C\$250m (US\$184m) to refinance the lossmaking Unitel. Bank of Nova Scotia will hold a 28 per cent interest, Toronto Dominion Bank 23 per cent and Royal Bank of Canada 16 per cent. Robert Gibbens, Montreal

Ford to give rebates of \$600 in bid to to lift sales

Ford Motor yesterday announced incentives of \$800 on most of its new vehicles in the US in an attempt to boost sales, a move that suggests that the early months of this year will be as tough as the start of 1996 in the world's biggest car and truck market.

The Ford rebates apply to

models, including the Taurus, a new model which was launched only last autumn after a \$3bn development programme. The Taurus hung on to its spot as the US's biggestselling car in 1995, despite seeing sales slip by 35 per cent in December compared with a

Until now, Ford has attributed the slow start for the new Taurus to a number of

one-off factors, and has said that the vehicle's popularity could only be judged on sales

Yesterday, Mr Ross Roberts, general manager of the company's Ford Division, said the incentives were prompted by a general "softness in the car business", as well as rebates offered by others in the US at the end of last year. "Our competition was out there with big

incentives trying to get our customers," he said. The Ford incentives are in the form of cheaper financing

on a new vehicle or a straight cash rehate.

While also being offered on several of the company's light truck models, the incentives will not be applied to the popular Explorer sport-utility and F-series pick-up trucks. Sales of light trucks have remained

strong for all manufacturers balancing the fall-off in

The severe weather in the north-eastern states will have an impact on new vehicle sales in the opening month of this year, Mr Roberts warned. He added, though, that the snow and ice were likely over time to add further to demand for four-wheel drive

bypassing multiple stages -and 80 per cent believe some

steel will be made using thin

strip casting by 2005. Yet these technologies are still in their

infancy, and some are not yet

looks as if the industry

the other hand, it

leaders are too conser-

even in commercial use.

Steelmakers braced for a wind of change

Andrew Baxter reports on the findings of a recent survey on trends in the industry

integrated sizel compa-nies have invested \$75bu in fixed assets over the past 20 years and generated a net cumulative loss of more than \$10bn.

Yet only 10 per cent of respondents in a new survey by Beddows & Co, the London based consultancy, regarded the industry's profitability - or lack of it - as a failure.

It is an alarming finding, as all the respondents were steel industry chief executives. But at least they agree that profitability will improve. Beddows had asked the chief

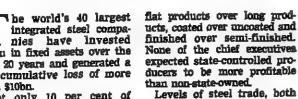
executives to list the industry's recent successes and failures as part of a detailed questionnaire on the future of the industry. The survey claims to be the first attempt to gauge the views of the industry's leaders.

"We only wanted to hear from chief executives," said Dr Rod Beddows, the consultancy's managing director. "We told them to throw the questionnaire away if they did not have time to answer it themselves.

The first report, in a series of six that will analyse the chief executives' responses, suggests the industry will continue to experience significant change. "Without doubt, managers of steel businesses face considerable challenges in selecting and implementing the strategies for success," it says.

The similarities in the responses are as revealing as the differences. There is a consensus across all regions that profitability will improve, and almost 70 per cent of respon-dents expect electric arc furnace producers to experience greater growth in profitability than producers using the tradi-

tional blast furnace route. Similarly, developing countries win over industrialised,



Levels of steel trade, both inter-regional and intraregional, are also generally expected to increase. Beddows says expectations of increases in trade inside regions is consistent with the gradual open-ing up of trade barriers between countries in the Nafta region, the European Union and the Asean block.

It is sceptical, though, about the potential for significant increases in trade, because transport costs are high and 25 to 30 per cent of steel products are already traded internation-

There is a largely consistent forecast, too, on the future of downstream activities - processing the product after cold-rolling - and the big steel producers' role in this area. Steel service centres, often

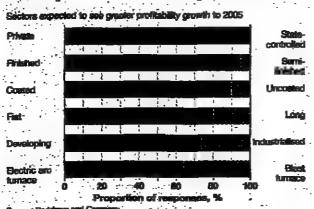
owned by stockholders, are increasingly moving into value-added activities, such as slitting steel into specific lengths for customers or even welding parts together to make a semi-fabricated component.

The survey shows the big steel companies are keen to win a bigger slice of the action. More than 80 per cent of respondents expected the percentage of revenue from downstream activities to increase and just over half expect a growth in the proportion of service centres that are owned by steel producers.

ut on other issues there Bare some big regional variations of opinion. The North Americans show a strong expectation for the industry to continue fragmenting, with more companies,



industry leaders select the profit-makers



ership, says Mr Martin Doble

One area where Beddows believes chief executives may be too optimistic in their

expectations is in the commer-

cialisation of new steelmaking

technologies. Half the respon-dents expect some steel to be

more locations and smaller industry's history of state own-

In contrast, west European respondents generally expected greater consolidation, with fewer companies and locations and larger facilities. This suggests that some European exec-utives are still in a big company mindset", a legacy of the

vative in their forecasts for growth of crude steel production. Only 14 per cent of respondents expect crude production to increase by more than 10 per cent over the next 10 years - a growth rate of less

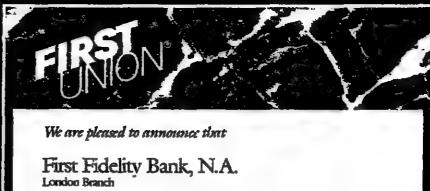
than 1 per cent a year. mistic, says Beddows, given the liberalisation of economies in many parts of the world, particularly Asia and eastern Europe, and the relatively strong economic growth prospects world-wide over the next

Intriguingly, a small number of respondents expect produc tion to decrease in markets such as Latin America, China and the rest of Asia. It is a view hard to reconcile with underlying expectations of growth in these regions, says the report. North American and west

European executives also expect "other markets" to grow faster than do the respondents from those markets - a sign suggests Mr Doble, of the old adage that the grass appears greener on the other side. The survey covers the views of 55 chief executives, accounting for 200m townes of capacity or about a quarter of the world steel industry. They were split roughly equally between North America, Europe and the rest of the world, although there were

no responses from Japan. The reports are not for sale.





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Effective as of January 1, 1996

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Reports of the undermentioned companies for the quarter ended 31 December 1995 were released to the relevant Stock Exchanges yesterday and have been published in the press in South Africa today:

> Deelkraal Gold Mining Company Limited **Driefontein Consolidated Limited** Kloof Gold Mining Company Limited Gold Fields Coal Limited Northam Platinum Limited

Copies of the reports will be posted to all shareholders of the companies, but are also available to the public from the London Secretaries, Gold Fields Corporate Services Limited, Greencoat House, Francis Street, London SW1P 1DH.

10 January 1996

Krediethank

New Zealand

U.S. \$60,000,000 Rance de Boston S.A. Floating Rate Notes Risk due 2002 Quaranteed by The First National Bank of Bo

Notice is hereby given that for the six months interest period from January 10, 1986 to July 10, 1996 the Notice will carry an interest rate of 9,13%, per annum. The Interest psychiat on the relevant interest payment date, July 10, 1996 will be U.S. \$461.57 and U.S. \$4,815.72 respectively for Notice in descriptions of U.S. \$10,000 and U.S. \$100,000. By: The Cleans Manbathan Stark, N.A. London, Agent Bank

US\$ 1,000,000,000 Floating Rate Notes due 1999 In accordance with the Terms and Conditions of the Notes, notice is hareby given that for the Interest Penod from January 08, 1996 to April 08, 1996 the Notes will carry an Interest Rate of 5 48047%

O CHARSE



5100,000,000 Floating rate notes 1998

January 10, 1996

Notice is hereby given that for the interest period from 8 January 1996 to 9 April 1996 the notes will carry an interest rate of 6.8625% per a interest payable on 9 April 1996 will amount to ST72.50 per \$10,000 note and \$1,725.00 per

Agent: Morgan Guaranty Trust Company

JPMorgan

INTERNATIONAL DEPOSITARY RECEIPTS

The Coupon Amount payable on the relevant Interest Payment Date, April 08, 1996 will be US\$ 138 53 per

US\$ 10,000 principal amount of Note and US\$ 1,385.34 per

US\$ 100,000 principal

amount of Note.

REPRESENTING SHARES PAR VALUE \$ 2.50 COMMON STOCK

J.P. MORGAN AND CO INCORPORATED A cash distribution of \$ 0.81 per depositary share will be payable on or after the 19 January 1996 upon presentation of coupon No. 103 at:

Morgan Gracuity Trust Company of New York 35 Avenue Det Arts

Banque Internationale Luxembr 2 Boulevard Royal L-2953, Luxembourg

At the designated rate tess applicable taxes. This distribution is in respect of the regular quarterly dividend payable on the common shares P.V. \$2.50 J.P. Morgan & Co. Incorporated on 12 January 1996,

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Sun Hung Kai in HK\$4.04bn placing

Sun Hung Kai Properties, one of Hong Kong's biggest property development companies, vesterday raised HK\$4.04bn (US\$522.4m) through a share placement. The money will be used for property and infrastructure investments.

The company's chairman, Mr Robert Kwok, and vice-chairmen Thomas and Raymond Kwok, sold an aggregate 65m shares in the company, at the same time subscribing for the same number of new shares at the same price. The shares were sold at HK\$62.125 each, representing a discount of 4.05 per cent to yesterday's closing price of HK\$64.75.

Sun Hung Kai Properties is the third big company to tap the colony's market for cash since stock prices began to rally last month. The others were Henderson Land Development and Louise Lucas, Hong Kong

Seiko sees heavier losses

Selko, a leading Japanese watch manufacturing and wholesaling group, yesterday said its losses for the current fiscal year would be larger than expected due to losses stemming from its overseas operations and the reorganisation of its domestic group structure. It revised its earlier forecast of a recurring loss - before extraordinary items and tax - of Y3bn (\$28.5m) to Y8bn, and net losses from Y3bn to Y10bn. On an unconsolidated level, the company now expects to post a net loss of Y20.1bn although recurring profits are still forecast

The company will write off losses of Y7.5bn stemming from the liquidation of its French sales subsidiary, and losses of Y13.6bn at its US sales subsidiary caused by the appreciation of the yen. Seiko said Compagnie Generale Horlogere, its French sales arm, will be dismantled and a new company, Seiko France, will be set up next month. The company will also write off Y25bn stemming from the realignment of its domestic watch and clock manufacturing arm, Seikesha.

The losses will be covered by the sales of Seikosha's assets. Seikosha, which has been hit by weak demand and intense price cutting with competitors, will be divided into two companies. One company will overlook the production and marketing of clocks and watches, while the other will produce and market camera shutters, printing machines and other Emiko Terazono, Tokyo precision instruments.

Australian Alcoa 17% ahead

Alcoa of Australia, the aluminium and gold group, lifted net earnings by 17 per cent in 1995, reflecting price rises for aluminium group products.

Earnings rose from A\$267.6m to A\$312.7m (US\$233.5m) on a 15 per cent rise in revenue from A\$2.08bn to A\$2.39bn. The company has previously declared dividends totalling A\$340m from 1996 profits, up from A\$240m in 1994. Directors said the result lifted return on shareholders' funds from 13.2 to 17.4 per Bruce Jacques, Sydney

China Steel registers growth

Buoyant prices in the first half are expected to result in better-than-expected profits at China Steel, Taiwan's biggest steelmaker. Although official results have yet to be released, a company spokesman said that pre-tax profits were likely to have advanced from T\$7bn a year ago to T\$10.8bn (US\$376m) on turnover up from T\$36.8bn to T\$43.4bn.

Prices have weakened recently, however, and analysis warn that China Steel's first-half performance is unlikely to be Laura Tyson, Taipei matched in the second six months.

pre-tax gain at Gold Fields SA

By Mark Ashurst in Johannesburg

Gold Fields of South Africa. the most troubled of the country's ailing gold mines, vesterday reported a slight quarteron-quarter improvement in pre-tax profits from R299m to R304m (\$83.7m), but this was offset by an increased tax con-

After-tax profits for the three months to December 31 were almost unchanged at R268.1m, against R268.5m for the previous quarter.

Mr Alun Munro, executive director, said the results reflected "consolidation at lower level" and claimed the foundations had been laid for recovery.

The accounting period did not include the effects of an unlawful strike at the group's Kloof mine between Christmas and the new year, nor seasonal holidays, which would adversely affect results for the first quarter of 1996.

Improved yields at Kloof and East Dreifontein mines lifted average yields to 8.7 per cent. compared with 8.3 per cent in the previous quarter. Total gold production rose 1 per cent to 24,524kg and combined with a 4 per cent increase in working profit to R272.8m from R262.6m to offset a 4 per cent fall in tonnage milled to 2.8m from 2.9m.

The strongest performance came from Kloof mine where working profit increased by 20 per cent from R101m to R121.3m.

Overall, capital expenditure rose from R209m to R218m but failed to bolster performance at the Kloof Mining Company's other mines, Leeudoorn and Libanon.

Mr Munro said closing Libanon mine would increase the risk of flooding at Kloof mine and add substantially to the profitable mine's production

Analysis said the group had borne the brunt of problems" in an industry suffering the combined effects of poor productivity, rising costs at maturing mines, a flat gold price and a relatively strong Rand-dollar exchange rate.

Tax offsets The switch to digital lifts Japanese groups

Michivo Nakamoto reports on some far-reaching changes in the consumer electronics market

apan's integrated electron-ics makers are poised to play a more active role in the consumer electronics market after languishing for years in the shadow of more glamourous brands such as Sony and Panasonic.

Toshiba, one of Japan's leading integrated electronics manufacturers - it makes everything from semiconductors to toasters - pulled off a coup last month when it won backing for its format as the industry standard for the next generation of recording discs.

Nine companies agreed specific details of the standard. known as DVD. Toshiba had. therefore, taken the lead in one of the most significant developments in the consumer electronics industry in recent

Given the uninspiring performance of its consumer electronics division in recent years, Toshiba's rapid rise to prominence in the consumer side of the electronics industry "is epoch-making", says one industry analyst.

The melding of computing. telecommunications and consumer electronics in multimedia and increasing use of digital technology is giving integrated companies, such as Toshiba, an opportunity to become leading players in the consumer electronics industry.

The key lies in the switch from analogue to digital technology. Digital technology is

being used in consumer electronics products, from audio players to video cameras, so those companies which have semiconductor technology -the key to digitalisation - and aiso make consumer products. are reaping the benefits. When consumer products

were analogue, manufacturers could differentiate their products through slight improvements and clever ideas, says Mr Makio Inui, industry analyst at Kleinwort Benson in Tokyo. But he points out that as TVs and videos rely increasingly on digital technology, "the value-added of consumer products lies increasingly in the chips ...

The change is providing Japan's integrated electronics makers, such as Toshiba, Hitachi and Mitsubishi Electric, with the opportunity to benefit from the combination of their component businesses, particularly semiconductor manufacturing, and their consumer electronics operations.

Toshiba's success in establishing its format as the industry standard owes much to the wide range of its key technologies. This enabled it to develop large capacity digital video recording discs in the first place, notes Mr Taizo Nishimuro, the company's executive vice-president.

"We were able to develop the DVD because we were an integrated electronics maker,"



One of the LCD products which have taken Toshiba to the fore

The integrated electronics makers are also well placed to develop multimedia products which will combine computer and telecommunications technologies. Interactive TV, which will offer services such as home shopping, requires both semiconductor and telecommunications technologies.

oshiba is combining its expertise in its computer, telecommunications and consumer electronics divisions to develop interactive TV which it hopes to launch next summer

In contrast, more specialised consumer electronics companies rely on outside sources for the main "value-added" parts that go into their products.

For example, consumer electronics makers have to shop around for the large number of

navigation systems and "end up being merely assemblers". says Mr Inui. For example, Fujitsu and NEC, which have in-house expertise, plan to commercialise plasma display panels for flat panel TVs and multimedia monitors. Matsushita and Sony however, have had to rely on US companies

for key technologies. Digitalisation of consumer products also benefits integrated electronics makers by increasing demand for their chips both in-house and from other companies.

The benefits of making both components and consumer hardware have spurred consumer electronics companies to focus increasingly on the nonconsumer businesses.

Sony, for example, has linked with Oki Electric to develop advanced semiconductors while Matsushita is

on semiconductor production over the next few years. Sony is also developing a PC in an alliance with Intel, the US semiconductor company.

Meanwhile, the integrated manufacturers are refocusing by moving away from lowerend consumer products to areas where they can better use expertise accumulated in their industrial businesses.

This month Hitachi merged

its audio-visual products division with its multimedia division, bringing conventional AV and information and communications technologies, such as optical data storage and cellular technology, under one roof. Integrated electronics mak-

ers. however, still face signifi-cant problems in the consumer electronics market: the prices of conventional products are falling and the need to maintain a large network of affiliated retailers.

Nevertheless, the emergence of multimedia is providing them with unprecedented opportunities.

The video recorder is the last star core consumer product that benefited mainly the consumer electronics companies," says Mr David Benda, industry analyst at BZW Securities in Tokyo. But he believes the next product "with sufficient mass appeal to be embraced by consumers in numbers similar to those achieved by the VCR. looks like coming from a different part of the technology sector the industrial electronic com-

Klein

[[1]]

Toshiba's triumph with DVD marks a significant step in that

Matsushita acquires US flat screen specialist

By Michiyo Nekemoto in Tokyo

Matsushita, the Japanese consumer electronics giant, is to acquire Plasmaco, a US venture capital company which has advanced flat panel technology. Matsushita did not disclose how much it was paying for the company. although Japanese press reports have indicated a figure of Y3bn (\$28.5m).

The deal, which will provide Matsushita with Plasmaco's technology in plasma display panels, underlines the growing importance for consumer electronics companies of developing advanced component technologies with the advent of multimedia.

outside technology in a promising area where Japanese computer companies, such as Fujitsu and NEC, are further

ahead in development plans. PDP panels, which rely on a gas discharge and ultraviolet light to display video images, are flat screens which are expected to come into greater use as wall-hanging televisions, video monitors and computer displays.

Because they are flat, PDPs offer large, light-weight screens that take up less space than conventional screens. As the video monitor comes to play a greater role in the home with the spread of multimedia services, the elec-

replace a significant number of large. bulky TVs. Fujitsu believes one in 10 wide-screen TVs will use plasma display panels by the year 2000 while NEC forecasts the market to be worth Y260hn a year by then.

Integrated electronics companies

such as Fujitsu, Japan's largest computer maker, and NEC have moved swiftly to develop PDP products. Fujitsu, which has a wide range of key multimedia technologies, said commercialisation of its PDP expertise, "will allow us to use our technology to move into the home".

Fujitsu, which is investing Y60bn in

tronics industry expects PDPs to PDP production facilities, unveiled a 42 inch colour PDP last year and plans to start volume production in October with an initial target of 10,000 units a month going up to 100,000 units by the year 2000. NEC is investing Y85bn in

PDP production. Some electronics groups have linked with outside companies in developing PDP technology. Sony has developed a flat panel with a US company and is to introduce a 22-inch screen wall-hanging TV this year. Matsushita, apart from its latest deal, has been developing PDP technology with Texas Instruments and Du Pont of the US and NHK, the Japanese public broadcaster.

Secretaria (1998)

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This announcement appears as a matter of record only.

New Issue/November 1995

CHF 634,600,000



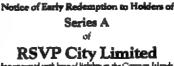
2% Convertible Bonds Due 1998 Issue Price: 100%

These convertible bonds were offered for subscription to members and holders of participation certificates of Rentenanstalt/Swiss Life.

Financial Advisor and sole Underwriter

Union Bank of Switzerland





U.S. \$271,000,000

dible Variable Rate Notes due 2006/2007

NOTICE [5 HEREBY GIVEN that in secondance with Section 3.03(a) of the Indenture, dated 26th September, 1990, Series A of the U.S. \$271,000,000 Guaranteed Extendible Variable Rare Notes due 2006/2007 of RSVP City Limited (the "Bonds") will be redeemed in full by RSVP City Limited on the Interest Paviners Date falling on 3ist January, 1996 at their Principal Amount outstanding on that date together with Interest accrued to the

Bankers Trust Company

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Bankers Trust Luxembourg S.A. PAD. Box 807 14 Boulevard F.D. Roosevelt L-2450 Luxembourg interest shall cease to accrusion the Bonds from 31st January, 1996.

Company, Londo 10th January, 1996



Kum Kang Trading Co., Ltd. U.S. \$15,000,000

0.5% Convertible Bonds 2004 Convertible into Shares of Common Stock of the leaver

Notice is hereby given to holders of the Bonds, following the issue of new Common Shares of the Issuer by way of rights on December 9, 1995. The Conversion price of Won 21,497 per Common Share have, in accordance with the Trust Deed dated March 8, 1995 and constituting the Bonds, been adjusted to Won 21,225 per Share, with

The Chase Manhattan Bank, N.A. for and on behalf of Kum Kang Trading Co., Ltd. January 10, 1996



SGA SOCIETE GENERALE ACCEPTANCE N.Y. FIRE 300,000,000 REVERSE PLOATING RATE NOTES DUE APRIL 2003 ISIN CODE: XS0041992784 For the period January 08, 1996 to April 09, 1996 the new rate has been fixed at 9.625~% P.A.

Next payment date : April 09, 1996 Coupon nr:9 Amount : FRF 245.97 for the denomination of FRF 10 000 FRF 2459,72 for the denomination of FRF 100 000 FRF 24597,22 for the denomination of FRF 1 000 000

The Principal Paying Agent SOCIETE GENERALE BANK & TRUST - LUXEMBOURG

DEPARTEMENT DE LA GUADELOUPE EMPRUNT OBLIGATAIRE PRF 50,000,000 -TRANCHE A TAUX VARIABLE ECHEANCE 1999 EMPRUNT OBLIGATAIRE PRF 50,000,000 -TRANCHE B TAUX VARIABLE ECHEANCE 2000 For the period January 08, 1996 to July 08, 1996 the new rate has been fixed at 5,90625 % P.A.

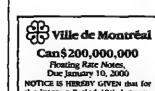
Next payment date : July 08, 1996 Coupon nr : 4 Amount: FRF 29859,38 for the denomination of FRF 1 000 000 THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST LUXEMBOURG



Uncornerated with limited liability in Japan) V30,000,000,000 Fixed and ating Rate Notes 1996

in accordance with the provisions of the Notes, notice is bereby given that the rate of interest for the three months period 10th lanuary, 1996 to 10th April, 1996 has been fixed at 0-42188 per cent per annum. Coupon No. 7 will therefore be payable on 10th April. 1996 at ¥10,664 per coupon from Notes of lanimon 000,000,000

The Bank of Tokyo, Ltd. (Oth Jacoury, 1996



The interest payable on 10th April, 1996 against Coupon No 5 will be Can\$14.42 per Can\$1 000 Note, Can\$144.21 per Can\$10,000 Note, and Can\$1442.10 per Can\$100,000 Note.

Bank of Montreal Lundon

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Result still in balance despite welcome for final offer

David Blackwell and Martin Dickson consider Granada's increased offer for Forte which still has two weeks to run

r Gerry Robinson. Granada Group's V1 chief executive, was in sparkling form as he lashed into bid target Forte with gusto, refreshed from his Christmas holiday in Donegal

It was time to disentangle fact from fiction, he said yesterday, attacking the activities of the "undoubtedly talented, highly expensive team" conducting Forte's defence. A great deal of nonsense was talked about hotel management, but he had one word for

how Forte was run - poorly.

Analysts praised the structure of Granada's final offer, which involves the same cash and shares mixture as when the bid was launched on November 22, sweetened by a 47p a share special dividend, to be paid from Forte's reserves. The new offer valued Forte at £3.74bn last night, or 371.86p a share, up from £3.27bn.

However, the offer would be worth nearly 12p a share extra to those shareholders, such as pension funds, able to claim repayment of the dividend's

Many analysts and some institutional investors said they thought Granada had done enough to swing the tide back in its favour following an unexpectedly strong defence

However, the final outcome ings. It also questioned exclusive hotels, sooner rather still hangs in the balance. "If I were a betting man I would put the odds in Granada's favour at no better than 60:40," said

one institutional investor. As investors weigh their decision over the two weeks to the bid's final closing date on January 23, they have three central issues to consider:

 Has Granada offered enough? The offer is 35 per cent higher than Forte's share price immediately before the bid was launched and represents a multiple of nearly 26 times Forte's forecast earn-

Forte's share price closed last night at 351p, up 7p, but below the Granada cash altermative of 362p.

The question for investors is how would Forte shares per-form if it remained independent? A key element in its defence is a plan to buy back 20 per cent of its shares at between 330p and 400p. While this appears to underpin the price at 330p, Granada yesterday questioned Forte's ability to proceed with the buy-back.

It described the plan as a "dream" predicated on the assumption that the buy-back would enhance sarnings. But Granada said its calculations suggested the buy-back would actually be dilutive to earnwhether Forte's promise of strong dividend growth was

 What type of business do shareholders want to invest in? As part of its defence, Forte has promised to sell off assets representing almost 50 per cent of turnover, giving investors a stark choice between the two companies.

Forte now plans to be a pure hotels business, with interests ranging from luxury international hostelries to the midmarket UK Posthouse chain. It will sell off its roadside budget notels and restaurant business to Whitbread for £1.05bn. Granada, in contrast, would retain the roadside business,

which it argues offers a good fit with its own small budget hotels and catering expertise. Mr Robinson - who described the sale to Whitbread as "a giveaway of shareholders' money and in our view a disgrace" - claimed that Granada was making

£10m a year from 32 budget hotels, compared with Forte's £26m from 122 outlets. However, Mr Robinson backtracked from earlier suggestions that he would build up Forte's Meridien chain as an international brand.

Granada now says it plans to

dispose of Meridien and Forte's

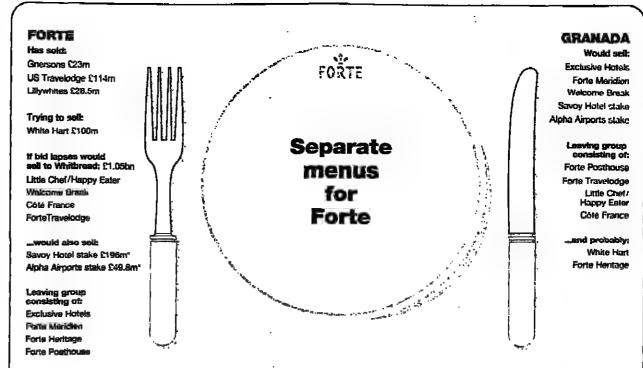
than later. Mr Robinson says it has had such interest from potential purchasers that selling is by far the best option.

Analysts generally welcomed the move. "That removes from the equation the bit of the group that we felt they could not comfortably manage," said

In contrast to the "pure' hotels investment that Forte would represent the enlarged Granada would have only 24 per cent of its business in hotels – and it has chosen those it believes are at the most profitable and predictable end of the market. Some 29 per cent would be in leisure and services, 25 per cent in television and 22 per cent in rental. Which company will better

manage Forte's assets? Granada is relying heavily on its good track record since Mr Robinson joined the com-pany in 1991. Since then, its operating profits have almost quadrupled.

While insisting it could deliver £100m a year in extra profits from Forte, Granada gave no details until yesterday when it devoted six pages of its document to the subject. Plans include the sale of the corporate jet and closure of Forte's London headquarters. Forte has consistently



poured cold water on its claims, prompting Mr Robinson to say yesterday that Granada's belief, and Forte's disbelief, "was the most telling

Value of stoles Jun D 1996

contrast between the two

Forte, for its part, argues that it is poised to reap the benefits of its own restructur-

ing and an upturn in the hotels

The battle could go either way. One analyst said: "It is well worth both sides running Meridien and Exclusive chains.

weeks." But he thought Granada could clinch victory by

Kleinwort acquires leasing side of SBC Warburg

By John Gapper Benking Editor

Kleinwort Benson, the investment bank owned by Dresdner Bank, has acquired most of the leasing finance and advisory arm of SBC Warburg, including 10 executives, after the business was put up for sale. Separately, Deutsche Morgan Grenfell has hired a three-man team of analysts from Kleinwort. The utilities analysts, led by Mr Simon Williams, are among the top-rated in the sector, and will provide pan-Euro-

pean research for DMG.

After a troubled period in the early 1990s Kleinwort's earnings have recovered and the tax allowances for lessors of plant and equipment make it a more attractive business for profitable banks.

SG Warburg & Co (Leasing), has about £500m (\$770m) in leasing assets. It gives advice, and provides leasing finance for UK companies and for overseas companies setting up facilities in the UK.

Kleinwort has £450m of leasing assets, but reined back the activity in the early 1990s because the tax benefit was

diminishing. It has again been seeking to expand for the past two years.

The Deutsche move is a further bolstering of equity research it has been trying to build a broking arm largely by hiring staff from other banks rather than acquisition. It now has about 60 analysis covering a spread of industries.

DMG also announced the purchase of DFI Securities, a Toronto securities firm, which carries out equity research, trading and sales in Canada, and employs about 16 execu-

port services.

equate to almost 10 per cent of National Power's profits of £705m last year, but most City analysts left their forecasts unchanged. One said:"We had always assumed that there was a significant amount of

NatPower to shed **400** jobs

National Power, the electricity generator, is to cut 400 jobs as part of a cost reduction programme at its Swindon head

were necessary because of

increasing competition.

The job cuts account for about 30 per cent of the workheadquarters in Swindon. But the bulk of the savings will

The eventual annual savings

office, writes David Wighton. The actions will cut costs by £40m (\$62m) in 1996-97, rising to £60m in the following year. The company said the losses

force at National Power's come from a review of other costs including reduced spend-ing on a range of external sup-

LVMH rules out Allders bid

LVMH, the champagne and luxury goods group, said yesterday it had no plans to launch a bid

for Allders after buying a small stake in the department store and duty-free retailer.

only 1m shares, 0.92 per cent of the issued capital, several weeks ago. It said the shares were acquired for investment purposes only. Despite the statement, Allders' shares yesterday held on to Monday's 14p gain ending

BTR considers bid for GenCorp arm

By Thro Burt

BTR, the UK industrial conglomerate, is in talks with GenCorp, the US manufacturing group, about a bid for one of its automotive subsidiaries. The British company has confirmed it is considering a takeover of GenCorp's vibration control division, although talks are only at a preliminary

stage.

If a deal is agreed, the Indiana-based subsidiary will be integrated into BTR's automotive division, which already manufactures anti-vibration systems in Britain, Germany

and Spain.
The vibration control division contributed \$6m to Gen-Corp's \$97m operating profit in from sales of \$140m.

1995 operating profits to increase sharply to about \$11m, on sales of \$160m.

However, GenCorp said it was unable to develop the business as an international components supplier and suggested it would be a better fit with BTR. The company wants to concentrate on fewer businesses where it has the ability to add value.

Last autumn, GenCorp blamed a decline in the automotive sector for reduced third quarter operating profits of \$22.3m against \$23.5m.

The move follows BTR's decision earlier this week to expand its presence in the Latin American automotive industry with the acquisition of Metalurgica Carto, the Bra-zilian components manufacturer, for an undisclosed sum.

1994 - the latest full year for which figures are available -N American rise

helps Rolls-Royce

By John Griffiths

A sharp unturn in North America helped Rolls-Royce Motor Cars raise total world sales of its luxury Rolls-Royce and Bentley cars by 10 per cent last year to 1,556.
Although less than half the

record 3,338 sales achieved by the Vickers subsidiary in 1990, last year's total was well above break-even level. Since 1991 break-even has been more than halved to 1,300 units a year, according to company officials.
Vickers shares rose 15p to 272p yesterday.

The company expects further modest sales growth this year, although faltering new car markets in parts of Europe and elsewhere make it unlikely that increases will match last year's levels.

Unit sales in North America, Rolls' second-largest market after the UK, jumped 25 per cent, from 335 to 420. UK sales were 7 per cent higher at 493, against 460. Japanese sales

rose 4 per cent to 121; continental Europe by 7 per cent to 230 and other overseas markets, except the Middle East, by 4 per cent to 221. The Middle East was the sole region to undergo a downturn, sales dropping 5 per cent to 71.

The Crewe manufacturing centre is undergoing an upheaval, with a large site being cleared for the construction of a new body assembly facility due to become operational in about two years. • Jaguar, Ford's luxury car subsidiary, reported an increase of more than 30 per cent in its world sales. They reached 39,725, compared with

30,020 in 1994. Sales in the US, Jaguar's largest market, rose by 19 per cent to 18,085 units, while UK sales were up 30 per cent at 8,796. Sales throughout continental Europe more than doubled with record sales in Germany, Spain and Italy. Japanese sales rose by 60 per

Warm weather hits House of Fraser

By Geoff Dyer

House of Fraser, the department store operator, warned yesterday that profits for the year to January 27 would be well below expectations due to the warm autumn weather and sale of surplus

The lower than expected increase in sales and drop in gross margins led analysts to cut pre-tax profits forecasts from \$25m to £15m (\$23m), the fifth downgrade in two years. Estimates for the following

year were down from £34m to about £29m. The announcement provided further evidence, analysts said, of the growing split in the retail sector between stronger and

weaker groups.

The shares fell to below 150p, but rallied to end the day down 3p at 163p, on hopes that the group would begin to realise its potential soon. "Some investors think it is a "value-play". It has good freehold properties and a lot of scope to improve its return on sales," according to one analyst.

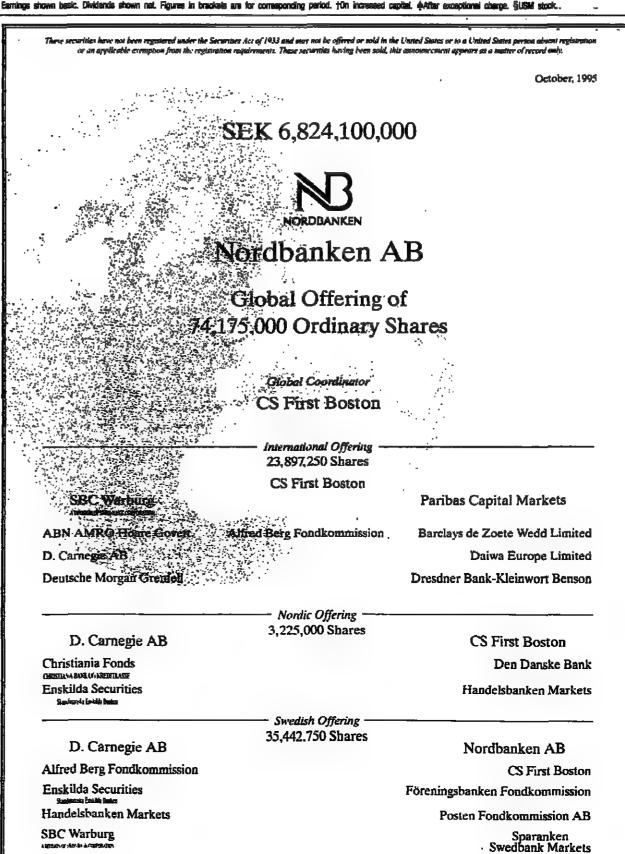
The full year dividend would be main-

tained at 5.5p, although it would not be fully covered

Like for like Christmas sales were 8.5 per cent up, however in the 22 weeks to December 30 the rise was only 2.3 per cent. The City had been hoping that the £45m store refurbishment over the last two veers would result in higher sales growth.

The gross margin in the second half was expected to be 31.2 per cent against 82.8 per cent in the previous year, in part due the 4 per cent decline in sales from higher margin ladies wear department.

							***************************************		Dividends -		
	(Urran	er (9m)		-tex t (Ess)	P (i (r)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total las year
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othersel Salvage	21	(19.4)	1.55	(1.684)	2.95	(-)	1.52	Fig. Ca		-	-
THE 6 miles to Sept 30	17.2	(13.5)	12	(2.05)	2.5	(4.3)	TSI		1.35	110	1.35



U.S. Offering*

11,610,000 Shares

CS First Boston

Merrill Lynch & Co.

Goldman, Sachs & Co.

Lehman Brothers

Denying reports that it had acquired a 2 per cent stake on Monday, LVMH said it bought

LEX COMMENTS Special dividend

Granada's increased bid for House of Fraser Forte includes a helping hand from the Inland Revenue. The 47p special dividend Granada is proposing to pay from Forte's balance sheet comes with an 11.75p tax credit for tax-exempt 120 institutions such as pension funds. These shareholders -which will determine the bid's outcome since they account for perhaps 50 per cent of Forte's shares - will receive an extra £50m or so from the Revenue if the bid succeeds. Granada would, of

14

Apr 1994 course, pay the Revenue Bource: FT Estal Advance Corporation Tax to match the tax credits: but it could offset that against Forte profits and capital gains, so cutting future mainstream corporation tax bills.

This special dividend wheeze - and its close consin, the share buy-back - was first used in the electricity sector. Forte tiself has employed a variation in its defence by promising to funnel cash from selling its restaurants to shareholders. But Granada has added a further twist: shareholders can choose between the special dividend on attaining to the choice. Granada has added a further twist: shareholders can choose between the special dividend or straight cash, thereby deciding whether to take the 47p as income or as a capital gain. While tax-exempt investors will undoubtedly take the dividend, most of the rest will minimise their tax burden by accepting the cash. This would have the further benefit of keeping down Granada's initial ACT pay-out. No public intervent is somed by a hombole that involves texperses subsidisting est is served by a loophole that involves taxpayers subsidising corporate raiders. But until the government changes the rules, budders would be mad not to exploit them to the full.

House of Fraser

Time is running out for House of Fraser's management. Yesterday's profits warning prompted a sharp adjustment to expectations. Analysts scaled back forecasts for the year ending January 1996 by more than 30 per cent to about £15m. This could just be one disappointment too many for investors, who could just be charge underperform the sector by 20 per have watched the shares underperform the sector by 20 per cent since the group's 1994 flotation. The inventory problems which have persistently undermined House of Fraser's performance point to a fundamental failure to stock the right goods. Stock carried over into 1995 dated back several years. The management now claims to have taken the pain and will be carrying forward a more reasonable level of inventory at the end of January - about £10m, compared with more than £20m this time last year. In women's fashion, the improvement is from £6m last year to £2m this year. The appointment of a new merchandising director gives some further grounds for optimerchandising unlested gives some made products for opti-mism. But her impact will not be felt until the autumn/winter season. Moreover, shareholders have heard such promises

However, the relatively minor hit taken by the share price yesterday and House of Fraser's still positive rating relative to the sector suggest that it is being viewed as either a recovery stock or a takeover target. Since there are few potential suitors, the former is the likelier explanation. But many investors will wonder whether the current management is capable of generating the required recovery.

allow foreign mining compa-

nies to apply for licences to

explore vast areas of up to

81,000 hectares for a limited

time. Since March there has been a rush for these FTAAs

(financial or technical assis-

tance agreements). Apart from

TVI and CRA, the list of inter-

national mining companies asking for FTAAs includes

Newmont Mining of the US,

Chase Resources of Canada,

and from Australia Placer

Dome, Golden Shamrock, and Newcrest. Two licences have

been granted so far - to com-

panies that applied under the

previous regulations - to Cli-max and Western Mining, both

There have also been more

than 300 applications for

another type of licence that

allows exploration of a smaller

Secretary of state Ramos

says mining will be one of the

lead sectors in the coming

upsurge in the Philippines

economy. He has no doubt that

the industry's exports ulti-

mately will match the peak

US\$1.2bn recorded in 1980. "I

have never seen so many min-

ing company chief executives

as I have in the past four months," he says, adding that

domestic mining companies

will be helped by the promise

of stability brought by the new

Mining Act, which is guaran-

By Canute James

last summer.

Australian companies.

COMMODITIES AND AGRICULTURE

Cyanide spill mine to reopen

By Canute James in Kingston, Jamaica

A commission appointed by the Guyana government has recommended the reopening of the controversial Omai gold mine, but says that improved environmental protection measures must be installed. The Canadian-owned mine was closed in August after 3m cubic metres of cyanide-tainted water spilled from a defective dam into nearby rivers.

Government officials said yesterday, however, that the mine, the largest investment in the English-speaking South American republic, would be reopened after the government had examined the commis-sion's report and was satisfied that the mine would be operated "in as safe a manner as humanly possible".

The company could restart milling at the end of this month and would be able to produce 250,000 ounces of gold this year, slightly less than in 1994, the last full year of operation, according to a company

The commission can see no justification, having regard to the contractual relationship solemnly entered into between the government of Guyana and Omai Gold Mines, for not permitting the resumption of production," said Mr Kenneth George, the chairman of the commission, and a former chancellor of Guyana's judi-

The commission's report said, however, that the structural integrity of a second tailings pond being constructed at the mine must be "ascertained and confirmed by an independent geo-technical source, the cost of which must be borne by Omai Gold Mines Limited".

Cambior and Golden Star Resources, both of Canada, own 65 per cent and 30 per cent, respectively, of Omai Gold Mines, with the Guyana government owning 5 per cent. A \$240m venture, Omai is said to be the largest open pit gold mines in South America.

The government described the cyanide leak as an "envi-ronmental disaster", while the company preferred to call it an "industrial accident". The company said it would make reparations for any damage caused by the leak.

The leak and the closure of the mine fueled debate about the use of cyanide, but the commission said the chemical was the most economic and environmentally acceptable means of extracting gold, and that the company would have no alternative than to discharge cyanide into the Essequibo River, which is the largest in Guyana.

The commission said that Omai Gold Mines must install as early as possible facilities to improve cyanide degradation before it is released into the Essequibo. The government must also improve its environmental protection legislation, the commission recommended.

The government was keen

for the mine to be reopened, but that depended on "pro-cesses that have to be gone through first", said Mr Sam Hinds, Guyana's prime minister, who has responsibility for mining. A senior government official said yesterday that despite the commission's report, and the government's desire to have the mine reopened, the administration faced opposition from the local and the international environmental protection lobby, which was still concerned about the overall operations of the mine. Guyana's earnings from gold exports were US\$27m short of the \$135m target last year because of the closure of the Omai mine, Mr Bharrat Jagdeo, the finance minister, said last weekend. The mine produced 197,000 troy ounces between January and August when it was closed, following 276,000 troy ounces in 1994, he

If the mine was reopened at the end of this month, production this year could reach 250,000 ounces, according to

Blue roofs give away Filipinos' golden secrets

Big miners are following the trail of independent panners in the search for gold, writes Kenneth Gooding

is an absolutely certain guide to locating rich gold deposits in the Philippines. It is being widely used by those foreign companies that have been rushing to apply for exploration licences since this south-east Asian country changed its mining laws last March.

The blue roof exploration technique involves finding where the small-scale miners most of them operating ille-gally - have gathered in the greatest numbers to dig for gold. These miners in the gold rich East Mindanao region almost invariably use blue plastic as roofing for the makeshift huts they put up so they can be easily identified from

the air. These guys pen for gold in the rivers and then follow the trail upstream until they find the main source. They won't stick around if its not worth their while, so finding them is a sure fire way of finding high grade gold deposits," says Mr Martin Taylor, manager, corporate development for TVI Mineral Processing.

Near TVTs Canatuan project on the East Mindanso gold belt the company tested waste left behind by the illegal miners and found it contained on average ten grammes of gold a tonne - which does not sound a great deal unless you know that in the US companies are mining many deposits containing less than one gramme a tonne and that the small-scale miners in the Philippines have

MARKET REPORT

usually already extracted 50 per cent of the gold from the

Mr Henry Agupitan, exploration manager for CRA's subsidiary Tropical Exploration Philippines, says searching for useful exploration tool we City because of the number of small-scale miners to be found there, along with the middle men who finance their activities. But the small miners still mainly use mercury to release

the gold. Use of this harmful metal is the government's main cause

applying for licences. The government would not want to stop the small miners. even if that were possible, because of the economic benefits they bring. Until 1990 the Philippines, once known as the "Isles of gold", was the world's eighth largest gold-producing country with official annual

These guys pan for gold in the rivers and then follow the trail upstream until they find the main source. They won't stick around if its not worth their while.'

CRA decided which licences to apply for after first studying geological maps and then tracking down small-scale miners in prospective areas. Mr Agupitan says he recently came upon a group of illegal miners that had recovered more than two kilograms (64 troy ounces) of gold in a hole in the biliside less than one metre across and one and a half metres deep. Like TVI, CRA has tested the waste left behind by the small miners and in its case found an aver-

age of five grams a tonne. TVI's Mr Taylor says he has seen a tunnel 100m long dug with hand tools by small-scale miners in their search for gold. But many are now using much more modern equipment, for example using small, mobile ball mills to crush the ore. These are manufactured in Tagum, known locally a "Gold

miners are concerned. Mr Victor Ramos, secretary of state for the environment and natural resources, says the government hopes to persuade them to form co-operatives and to sell their are for processing to blg mining companies. "We are telling them that we value their experience but they could be assured of more income and more security by working in an orderly manner," he says. However, it will also be necessary to win the co-operation of hig mining companies for this scheme to work.

Nobody expects the small miners to change their approach quickly. Mr Salvador Martin, assistant director at the Bureau of Mines, points out that they prefer mining methods they are used to and would not relish the thought of paying taxes or the form filling that would be involved in

moved quickly lower to test

production (which all has to be delivered to the central bank) of nearly 40 tonnes or 1.8m ounces. Since then output has fallen so the country has dropped to 14th place in the global reckoning and official production is down to 31 tonnes. However, the Gold Fields Minerals Services consultancy group estimates that the "informal" - or illegal sector contributes an additional 18 tonnes (580,000

In recent years other parts of the Philippines mining indus-try have been going through difficult times, brought down by low metal prices, high debts, bad management and 20 years of international isolation during the Marcos presidency. With this in mind, the government is encouraging a flood of foreign investment into the

changing mining and tax laws and permitting 100 per cent teed not to be changed by the next administration. Mr Conrad Leviste, governor ownership of mining companies by foreigners in some circumstances, something previously forbidden. The new laws

of the country's Board of Investments, estimates that there will be a capital infusion of at least US\$3bn resulting from the FTAA applications alone. Another indication of the benefits the gold rush will bring the Philippines is that CRA has given Mr Agupitan the target of finding deposits with a minimum of 100 tonnes (ounces) of gold. He says: "At first i thought this would be impossible but now I am optimistic we will find something of this size" In fact, other foreign compa-

nies already have that amount of gold in the bag, at sites where there was hectic small scale miner activity. TVI, in partnership with Echo Bay of the US, has 3.8m ounces of mineable gold and 2.2bn lb of copper at the Kingking deposit in the Mandanao region. The companies are helping local group, Benguet Corporation, to pay off most of its debts and get back to financial health by paying at least US\$67m for Kingking. Meanwhile, Climax Mining has discovered 4m ounces of gold and 1.1hn lb of copper at its Didiplo deposit in the Luzon region. Mr Bryce Roxbrugh, Climax Mining president, says that mining could start up in 1997 to produce up to 400,000 ounces of gold and 87m ib of copper a year. That is nearly as much gold from one mine as the efforts of all the

Copper and aluminium fall to fresh lows at LME Base metals prices mostly lowest for 16 months. Monday, which was briefly

moved lower in late trading at the London Metal Exchange yesterday, as losses in New York undermined the COPPER and ALUMINIUM markets. Both fell to fresh lows for the

current sell-off. Three months delivery copper hit a 14-month low, while aluminium crashed through \$1,600 to trade at its

GRAINS AND OIL SEEDS

Copper bottomed out at \$2,512 before ending the kerb ssion nervously at \$2,520, a \$31 a tonne loss from Monday. The market was oversold, traders said, but given the bearish mood a test of \$2,500 was likely, with major support put at \$2,450.

down \$26. Aluminium's downtrend on The next downside objective

halted early yesterday, resumed in mid-afternoon when the three months price

The three months delivery position traded at a low of \$1,592 before ending at \$1,596,

was at \$1,550, traders said. Compiled from Reniers	
Complete from Retters	

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MEAT AND LIVESTOCK IL LINE CATTLE CME (40,000lbs; cards/bal

Dominica is one of the four of the Windward Islands that are the main source of bananas consumed in Britain, but the

Dominica will resume regular

exports of bananas to Britain by early March, following the

destruction of farms on the

island by a series of hurricanes

island's exports were reduced to small, infrequent shipments

small scale miners produce in

after the storms That caused Dominica's exports last year to fall by 24 per cent to 33,000 tonnes, and the Island's Banana Marketing Company has projected exports this year of between 42,000 tonnes and 52,000 tonnes, depending on weather condi

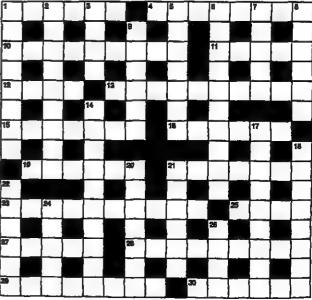
tions during the year".

JOTTER PAD

Dominica's bananas recover

CROSSWORD

No. 8,963 Set by CINEPHILE



Solutions include three tries and one quartet: their cluss

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18 Lady in paper chair to die capsized by lock (8)
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eth? (7) ing, without interference (10) 25 Overtime? (4)

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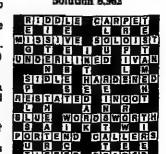
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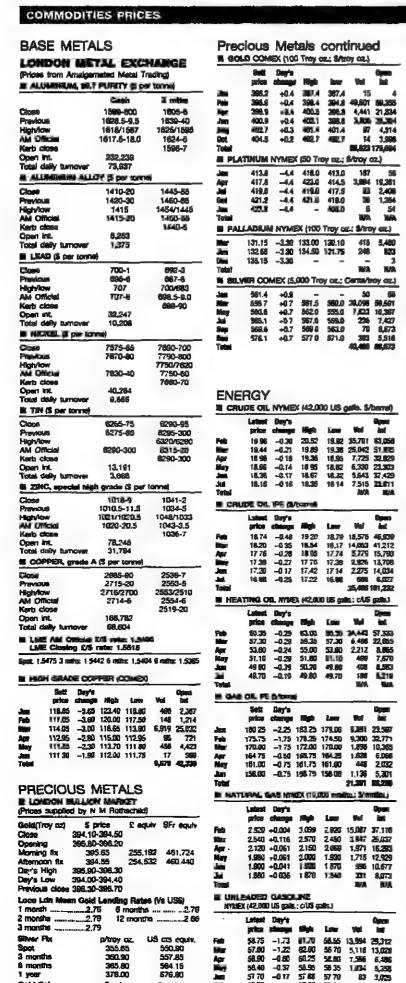
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Solution 6,962



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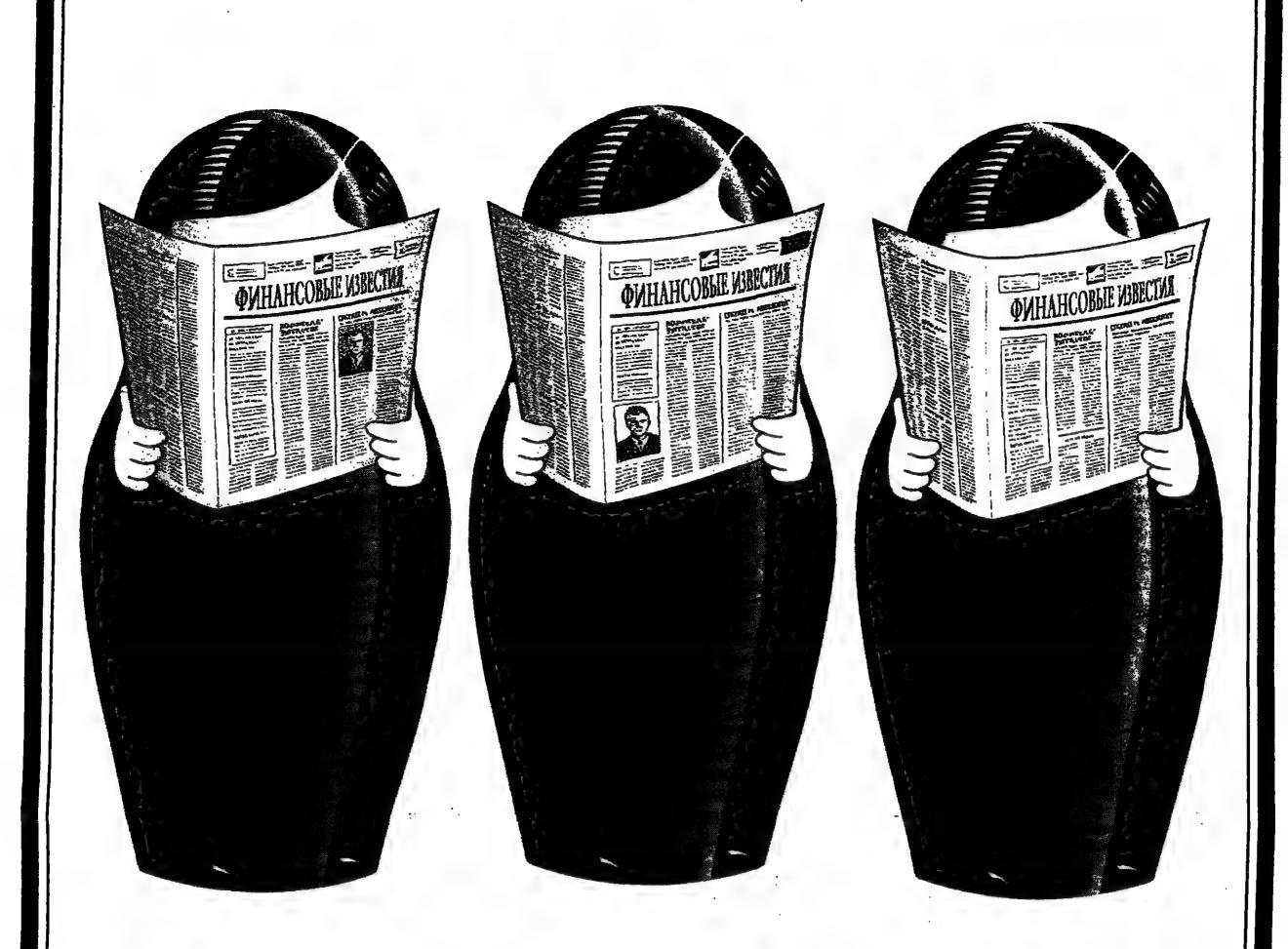
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= 00	COA CS	2€ (10 i	onnes;	\$/tonne	蝴		E LM	E HOOS	CME (10,0001	be; cent	e/lbe)	
Mar	1262	_	1275	1255	15	37.420	Reb			45.850		2,936	11,375
May	1265					17,790	Apr			45.125			1,124
AM See	1309				975	6,501	32			51.850 51.800		284	5,957 2,636
Step Dec	1350	-	1374	1359	171	8,206	Aug	SU LEGI	-0.400	51.100	49,700	113	2,700
Tietal	1388	-	1380	1367		5,732 86,367	Oct	46,000	-0.350	48.350	45,875	145	1,251
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her t	July 1	-(1	Me	_	रिका	4	Pel			85.050		838	4,257
Cash						A1 9	iller .			55.450		201	1,048
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E CO	TE LO	(Mon					AMI	57.425		57.450		65 13	926 104
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Total		***	1020			20,200		price \$		C		Pi	etc
II (20)	MEE V	CECE!	37.500	2007				MINUM		Feb	Apr	Feb	Apr
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100	9.75	-	99.00	95.75	33	1,309	1700 E COV			. 4	25	122	124
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Total		_				28,913					96	19	86
III COI	THE PC) (US c	enta/po								55	85 116	143
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,u , .				•		241	1600			. 162 - 146	20 16	-	141 174
■ Wo7	PRESIDENT	Ne PAN	NO.	AL LIZE	(cantil	1704		SA LOS		Mar	May	Mar	May
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	TE SUCE	WA TICE	Section 1	=			1950			- 10	22	16	45
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Mirror Mirror	367.4	+29		364.5 367.5									
No.	348.7 233.6	+1.5 -1.6	350.3	347.5	263 263	8,337 4,008	LON	DON					S
Ang Col	348.7 532.6 307.1	+1.5 -1.8 -2.5	350.3 350.5	347.5 333.6 307.0	243 161	8,337 4,008 3,776	LON	DON DE OIL				KET:	S or
	348.7 233.6	+1.5 -1.6	350.3 355.6 308.5 302.9	347.5 333.6 307.0 300.1 301.4	161 54 58	8,337 4,008 3,776 1,950	LON m cau	DE OIL	F06 (p	or barre		KET	-
interpretation of the control of the	348.7 537.6 307.1 300.6 298.9	+1.5 -1.8 -2.5 -3.0 -3.4	350.3 315.4 308.5 302.9 302.1	347.5 333.6 307.0 301.1 301.4	161 54 59 2,045	8,337 4,000 3,775 1,950 434 32,936	LON IN CRU Dubel Brent B	DE OIL.	FOE (p	\$17 \$19	47-7.57	KETS	1325 0.70
Any Out Inc Total	341.7 537.5 307.1 300.6 290.9	+1.5 -1.8 -2.5 -3.0 -3.4	390.3 356.6 308.5 302.9 302.1	347.5 233.6 307.0 301.4 381.4	161 54 59 2,045	8,337 4,008 3,776 1,950 534 32,936	LON m cau	DE OIL.	FOE (p	\$17 \$16 \$16	WFels) .47-7.57	KETS	1.325 1.42
Ang Oct Der Tybel Electrical	341.7 532.6 307.1 300.6 290.9 1411 (+1.5 -1.8 -2.5 -3.0 -3.4	350.3 515.6 308.6 302.9 302.1 112.000	347.5 233.6 307.0 301.4 281.4	161 54 50 2,045 706	8,337 4,008 3,776 1,950 234 32,936 87,716	Dubel Brent B Brent B W.T.J.	DE OIL.	FOE (p tad) tal	\$17 \$16 \$16 \$16	.47-7.57 9,05-9.0 8.75-8.7 9.95-9.0	KETS	1325 1325 132 142 1235
Any Any Oct. Her Tytal III SUG	348.7 837.1 300.6 290.9 441.11(11.89 11.30 10.61	+1.5 -1.8 -2.5 -3.0 -3.4	350.3 515.6 308.5 302.9 302.1 112.000 11.82 11.40	367.5 307.0 301.4 301.4 11.59 11.46 10.40	2,045 708 2,045 708 821	8,337 4,008 1,776 1,950 434 32,936 87,716 27,319 17,135	LON m CRU Dubel Brent B Brent B W.T.I.	DE OIL land (da lend (Fei	FOE (p tad) tal	\$17 \$16 \$16 \$16 \$16	47-7.57 9.05-9.0 8.75-8.7 9.95-9.0 pt delive	KETS	1.325 0.10 0.42 1.235 torne)
May Ang Oct Inc. Total Inc. Sur	348.7 532.6 307.1 300.6 290.9 11.90 11.90 10.61 10.31	-1.5 -1.0 -2.5 -3.0 -3.4	350.3 355.6 309.5 302.9 302.1 12,000 11,92 11,40 10,02	367.5 337.0 381.4 381.4 11.48 18.40 10.17	708 2,365 821 671	8,337 4,008 2,776 1,950 32,936 87,716 27,319 17,135 19,721	LON m CRU Dubel Brent B Brent B W.T.J. m COL 1	be out	FOE (p tad) bil 773 NM	\$17 \$16 \$16 \$16 \$16 \$16	47-7.51 9.05-9.0 9.75-8.7 9.95-9.9 pt delive	KETS	1.325 0.10 0.42 1.235 torne)
Any Any Oct. Her Tytal III SUG	348.7 837.1 300.6 290.9 441.11(11.89 11.30 10.61	-1.5 -1.0 -2.5 -3.0 -3.4 -3.4	350.3 358.6 308.6 302.9 302.1 12.000 11.40 10.62 10.32 10.10	367.5 307.0 301.4 301.4 11.59 11.46 10.40	708 2,865 708 2,865 821 671 253	8,337 4,000 3,776 1,950 434 32,936 87,718 27,319 17,135 19,721 11,983	LON In CRU Dubel Brent B Brent B W.T.I. In Oil. 1 Premium Gen Oil Heavy F	be out	FOE (p tad) bil 773 NM	\$17 \$16 \$16 \$16 \$16 \$16 \$16 \$16 \$16 \$16 \$16	47-7.56 9.05-9.0 8.75-8.7 9.95-9.0 pt delive 177-179 181-182 110-112	KET:	1.325 0.42 1.235 1.235 1.24 -2
They Area (set)	348.7 532.6 302.1 300.6 290.9 11.50 11.50 10.61 10.31 10.10 9.97	-1.5 -1.0 -2.5 -3.0 -3.4 -3.4	350.3 308.5 308.5 302.9 302.1 11.40 11.40 10.02 10.22 10.10	347.5 333.6 307.0 301.4 301.4 11.38 11.40 10.17 10.17	708 2,065 708 2,365 821 671 253 77	8,337 4,000 2,776 1,950 32,936 87,716 27,319 17,135 19,721 11,983 1,712	LON In CRU Dubel Brent B Brent B W.T.L In Coll. 1 Premium Gen Cli Heavy F Heavy II Heavy III Heavy II Heavy III Heav	be out	FOE (p tad) bil 773 NM	\$17 \$18 \$18 \$18 \$18 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19	47-7.57 9.05-9.0 8.75-8.7 9.95-9.9 9. delive 177-179 181-182 110-112 178-178 211-213	KETS	325 0.02 0.42 1.235 (235 (236 (237) -2 -4 +2 -3 -2
Help Ang Oct. See Surgar Tribal Surgar Surga	34.7 533.5 307.5 200.9 200.9 11.80 11.80 11.81 10.31 10.10 9.97	-1.5 -1.0 -2.5 -3.0 -3.4 -3.4 	350.3 358.5 308.5 302.9 302.1 11.20 11.40 10.62 10.10 10.22 10.10 9.65	347.5 233.6 307.0 301.4 361.4 11.48 10.40 10.17 1.90 0.85 1	2,045 181 54 59 2,045 19/45 2,385 821 671 253 77 4,348 1	8,337 4,008 1,776 1,950 32,936 87,716 27,319 17,335 19,721 11,983 1,712 11,983	LON IN CRU Dubel Brent B Brent B W.T.J. IE Cil. 1 Promium Gene CB Heavy F Naprifies Jet Livil	DE OIL. Interdigent (dated (Fei	FOE (p tect) bij FFE NW	\$17 \$18 \$18 \$18 \$18 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19	MFels) .47-7.51 9.05-9.0 8.75-8.7 9.95-9.9 pt delive 177-179 181-182 178-178 211-213 186-187	KETS	225 0.42 1.235 1.235 1.235 1.235 1.235 1.235
They Amp (set and the set and	348.7 532.6 382.1 380.8 290.9 447.71.1 11.80 11.30 10.31 18.10 9.97	-1.5 -1.0 -2.5 -3.0 -1.4 -1.4 -1.5 -1.6 -1.6 -1.6 -1.6 -1.6 -1.6 -1.6 -1.6	350.3 358.6 308.6 302.9 302.1 11.40 11.40 10.02 10.10 10.02 10.10 9.65	347.5 232.6 387.0 380.4 380.4 380.4 11.39 11.49 10.17	2,045 181 54 59 2,045 19/45 2,385 821 671 253 77 4,348 1	8,337 4,008 1,776 1,950 534 32,936 87,716 27,319 17,735 19,721 11,563 1,712 11,563 1,712 11,563 1,712	LON IN CRU Dubal Brent B Brent B W.T.J. IN CRI. 1 Premium Gen CRI Heavy F Neprifie Jet hail Diesel	be Oil. Ind (da lend (Fe PRODUX Gaeoli Lud Oil	FOE (p tect) bij FFE NW	\$17 \$18 \$18 \$18 \$18 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19	MFels) .47-7.51 9.05-9.0 8.75-8.7 9.95-9.9 pt delive 177-179 181-182 110-112 178-178 211-213 186-187	KETS	325 0.02 0.42 1.235 (235 (236 (237) -2 -4 +2 -3 -2
Hop Anny Control of Co	348.7 837.5 307.1 300.6 280.9 11.39 10.61 10.61 10.10 9.97 77001 MVC	-1.5 -1.0 -2.5 -3.0 -3.4 	350.3 355.6 302.9 302.1 11.40 10.62 10.10 9.65 3000m; 85.63 84.80 94.16	347.5 332.6 387.0 380.4 380.4 380.4 380.4 11.59 11.48 10.40 10.17 1.95 6.65 80.75 182.00 80.26	2,045 181 54 59 2,045 19/45 2,385 821 671 253 77 4,348 1	8,337 4,008 1,776 1,950 534 32,936 87,716 27,319 17,735 19,721 11,563 1,712 11,563 1,712 11,563 1,712	LON III CRU Dubal Brent B Brent B W.T.J. III Coll. I Premium Gen Cli Heavy F Nighthal Jet kull Dissel Petroloui III CTH	DE OIL. Innel (dal lend (Fe) PRODUK Gasoli Lud OI Argas. 1	FOE (partied) bill 773 NM	\$17 \$18 \$18 \$18 \$18 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19 \$19	WFath .47-7.51 9.05-9.0 8.75-8.7 9.95-9.9 pt delive 177-179 181-182 110-112 178-178 211-213 186-187 7, 359 85	KET:	1325 1.00 1.235 1.00 1.235 1.00 1.235 1.00 1.235 1.00 1.235 1.00 1.235 1.00 1.235 1.00 1.235 1.00 1.235 1.00 1.235 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0
They Amp	348.7 532.6 302.6 298.9 544.1 11.1 (11.88 11.39 10.61 10.31 18.10 9.97 77ON MYC 82.80 83.10 83.10 83.10	-1.5 -1.0 -2.5 -3.0 -1.4 -1.4 -1.5 -1.5 -1.5 -1.5 -1.5 -1.5 -1.5 -1.5	350.3 308.9 302.9 302.1 17.20 11.40 10.03 10.10 10.22 10.10 9.65 5000ms; 85.63 85.63 85.63	347.5 337.6 387.4 387.4 11.38 11.45 11.45 10.17	702 161 549 2,645 702 2,365 821 671 253 77 4,348 1 76 3,867 1,104 155	8,337 4,008 1,750 1,950 1,950 1,950 1,950 17,135 19,731 11,963 11,712 11,963 11,963 11,963 11,963 11,963 11,963 11,963	LON In CRU Dubel Brent B Brent B Brent B W.T.J. III Coll. 1 Premium Gen CII Heavy F Neprifica Jet April Diesel Astrolous III Griff Gold (px	be Oil. Inne (da Inne (d	FOE (partied) bij FTS 1986 TS 1986 TS Loren	S177 S18	MFalsh 47-7.57 9.05-9.0 8.75-8.7 9.95-9.9 pt delive 177-179 181-182 110-112 178-178 211-213 186-187 9 394 30	KETS	275 0142 1235 024 1235 024 1235 024 1235 024 1235
They Amp	348.7 532.5 302.6 208.9 11.30 11.30 10.31 10.10 9.97 770N MYC 63.80 63.12 82.38 79.45 77.50	-1.5 -1.0 -2.5 -3.0 -3.4 	150.3 155.6 302.9 302.1 12.000 11.40 10.02 10.11 9.05 0000ms; 85.63 84.80 94.10 94.00 78.20	347.5 332.6 387.0 380.4 380.4 380.4 380.4 11.59 11.48 10.40 10.17 1.95 6.65 80.75 182.00 80.26	702 161 549 2,645 702 2,365 821 671 253 77 4,348 1 76 3,867 1,104 155	8,337 4,008 2,776 27,316 27,316 27,316 32,936 87,716 27,315 19,721 11,983 1,772 1,772 1,77	LON In CRU Dubel Brent B Brent B W.T.L IN COL.1 Premium Heavy F Neprima Jet Kwi Diesel Autoloui III OTHI Gold (pt Shver Ip Platfour)	DE OIL. Innel (da lend (Fe) PRODUK Gaeoli Angus. 1 Tritoy o	FOE (p	S17 S16	47-7.57 3.05-8.0 3.75-8.7 9.95-9.9 pt delive 177-179 181-182 178-178 211-213 186-187 7 399 5 394.30 549.50	KET:	1325 1325 1325 1325 1325 1325 1325 1325
They Ample A	348.7 \$32.1 \$30.6 288.9 11.88 11.30 10.31 10.31 10.10 9.97 FORM ANYO \$3.80 \$1.12 \$2.38 79.45 77.45	+1.5 -1.0 -2.5 -3.0 -1.4 -1.4 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2	350.3 305.6 302.9 302.1 11.200 11.40 10.02 10.11 10.22 10.11 10.23 10.11 10.23 10.11 10.23 10.11 10.25 10.11 10.25 10.11 10.25 10.11 10.25 10.00	347.5 333.6 301.4 301.4 301.4 11.38 11.40 10.17 19.65 2.65 70.40 77.50	161 59 2,065 702 2,365 821 671 37 4,349 1,106 37 1,106 37 1,106 37 1,106	8,337 4,008 1,776 1,990 504 32,996 87,716 27,319 17,732 11,683 1,772 11,683 1,772 11,683 1,772 11,583 10,200 10,200 10,200 10,200 10,200 10,200 10,40	LON In CRU Dubel Brent B Brent B W.T.L IN COL.1 Premium Gen OF Heavy F Nepriffe Jet full Diesel Gold (of Silver I) Platfour Patient Patient Patient Patient Patient	DE OIL. Innel (da lend (Fe) PRODUK Gaeoli Angus. 1 Tritoy o	FOE (p	\$177 \$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18 \$18	A/F-six .47-7.57 .9.5-9.0 .8.75-8.7 .95-9.0 pt delive 177-179 181-182 178-178 211-213 186-187 7 339 5 3394.30 549.56 1129.55	KET:	1325 1.02 1.02 1.02 1.235 1.03 1.235 1.03 1.235 1.03 1.235 1.03 1.03 1.03 1.03 1.03 1.03 1.03 1.03
They American Training and American Training	348.7 532.5 302.6 208.9 11.30 11.30 10.31 10.10 9.97 770N MYC 63.80 63.12 82.38 79.45 77.50	+1.5 -1.0 -2.5 -3.0 -1.4 -1.4 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2	350.3 305.6 302.9 302.1 11.200 11.40 10.02 10.11 10.22 10.11 10.23 10.11 10.23 10.11 10.23 10.11 10.25 10.11 10.25 10.11 10.25 10.11 10.25 10.00	347.5 333.6 301.4 301.4 301.4 11.38 11.40 10.17 19.65 2.65 70.40 77.50	161 59 2,065 702 2,365 821 671 37 4,349 1,106 37 1,106 37 1,106 37 1,106	8,337 4,008 1,776 1,990 504 32,996 87,716 27,319 17,732 11,683 1,772 11,683 1,772 11,683 1,772 11,583 10,200 10,200 10,200 10,200 10,200 10,200 10,40	LON IN CRU Dube Brent B Brent B Brent B W.T.L. IN Office I Heavy F Nighthal Jet Nam Gold (pt Silver Ip Pediadhur Pediadhur Copper	DE OIL. Innel (dallend (Fe) PRODUK Ganoli Argan. 1 Tritoy of	FOE (p	\$177 \$118 \$118 \$118 \$118 \$118 \$118 \$118	A/F-six .47-7.57 9.05-9.0 8.75-8.7 9.95-9.9 pt delive 177-179 181-182 178-178 211-213 186-187 7 339 5 1129.55 125.0c	KET:	1325 1325 1325 1325 1325 1325 1325 1325
They had been th	348.7 Style 1	+1.5 -1.0 -2.0 -3.0 -3.1 -4.1 -4.1 -4.1 -4.1 -4.2 -4.2 -4.2 -4.2 -4.2 -4.2 -4.2 -4.2	350.3 350.4 302.9 302.1 11.40 11.40 10.62 10.62 10.62 10.62 86.83 84.10 80.00 78.20 78	347.5 337.0 387.4 387.4 387.4 387.4 11.48 10.40 10.17 1.86 83.75 10.00 83.75 10.00 77.50 78.60	2003 2401 54 59 2,005 671 2,305 671 2,305 671 2,305 671 2,305 671 3,307 4,345 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 3,705 11,104 11,	8,337 4,006 1,706 1,920 32,926 87,716 27,316 17,725 19,721 11,563 1,712 11,563 1,712 11,563 1,712 11,563 1,712 11,563 1,712 11,563 1,712 11,563 1,712 11,563 11,563 11,563 11,563 11,563 11,563	LON In CRU Dubel Brent B Brent B W.T.L IN COIL I Premium Gen OF Heavy F Nepriffe Jet Livil Diesel Astronom III OTHI Coppor Lead (U Tin (Coa	DE OIL. land (datend (Fe) PRODUCT Gasoli Argan. 1 Privacy p rivacy p	FOE (printed) The land T	\$17 \$11 \$11 \$11 \$11 \$11 \$11 \$11 \$11 \$11	A7-7.51 3.05-9.0 3.75-8.7 9.05-9.9 pt deliver 177-179 181-182 110-112 178-178 211-213 186-187 7 359 at 354.50 1129.55 125.0c 11.75c 5.77m	KET:	1325 1325 1325 1325 1325 1325 1325 1325
The COTT TAILS OF COTT TAILS O	348.7 \$17.1 \$10.6 \$298.9 \$11.89 \$11.90 \$10.91 \$10.91 \$10.91 \$10.97 \$70.00 MYC \$2.38 \$79.45 \$79.45 \$110.25	+1.5 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0	350.3 355.4 302.9 302.9 302.1 11.40 11	347.5 233.6 337.0 380.1 380.1 380.1 11.18	2003 2401 54 59 2405 708 2,305 708 2,305 708 2,305 871 253 778 253 778 253 778 253 778 253 778 253 778 253 253 253 253 253 253 253 253	8,337 4,008 4,008 1,708 1,950 32,936 87,716 27,319 17,735 19,721 11,983 1,712 11,983 7,505 1,923 7,505 1,923 1,735	LON BECRU Dube Brent B Brent B Brent B Brent B W.T.L. THE ONL I HEAVY F Night But Jet Aust Je	DE OIL. In disconsistent (February Der troy) In (por troy)	FOE (printed) Total (printed) Total (printed) Total (printed) Total (printed) Total (printed) Total (printed)	\$17 \$16 \$16 \$17 \$16 \$17 \$16 \$17 \$16 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17 \$17	A/F-six) .47-7.57 3.05-9.0 3.75-8.7 9.05-9.0 pt delive 177-179 181-182 110-112 178-178 211-213 186-187 7 359 at 125.0e 11.75c 11.75c 5.77c 296.5c	KET	1.275 1.42 1.42 1.235 1.235 1.235 1.235 1.25 1.02
They had been the state of the	348.7 Style 307.1	+1.5 -1.0 -1.0 -1.4 -1.5 -1.0 -1.4 -1.5 -1.0 -1.2 -1.1 -1.1 -1.1 -1.1 -1.1 -1.1 -1.1	390.3 390.4 302.9 302.1 172.000 17.82 10.10 9.65 84.80 90.60 84.80 90.60 78.20 78.20 78.20 78.20 127.80 127.80 129.00	347.5 337.0 357.4 357.4 357.4 11.50 11.10 10.17 10.17 10.17 10.17 10.17 10.00 10.17 10.00 10.17 10.00 10.17 10.00 10.17 10.00 10.17 10.00 10.17 10.00 10.17 10.00 10.17 10.00 10.17 10.00 10.17 10.00 10.17 10.00 10.17 10.00 10.17 10.00	200 240 161 54 529 50 50 182 45 182 4	8,337 4,006 1,900 534 32,986 87,716 27,516 27,516 11,712 11,983 1,712 11,983 1,712 11,983 1,712 11,983 1,712 11,983 1,712 11,983 11,712 11,713	LON IN CRU Dubet B Brent B Brent B W.T.L. IN COL. I Promium Gen Cill Heavy F Naphibus B Grid (pd Sheer to Petitedia Copper Lead (U. Tin (Kus Tin (Kus Tin (Kus Cattle & Cattle	DE OIL. Innet (dated (Fe) PRODUCT Gasoli Anges. 1 Privoy per broy of per	FOS (process)	S17 S16	A/Falsh .47-7.57 9.05-9.0 9.05-9.0 9.75-8.7 9.75-9.0 177-179 181-182 178-178 211-213 188-187 77 359 8 1129.95 125.0c 11.75c 5.77m 588.5c 21.70p	KETS 4077 H 77 H 78 H 79 CF	1375 1375 1375 1375 1375 1375 1375 1375
The SUC STATE OF THE SU	348.7 SS15.6 SS28.9 SSAR ST14.6 SS28.9 SSAR ST14.6 SS28.9 SS28.8 SS28.7 SS28.9 SS28.8 SS28.0	+1.5 -1.0 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2	350.3 550.3	347.5 233.6 347.5 237.6 347.6 257.6	200 240 161 54 59 59 54 50 50 50 50 50 50 50 50 50 50 50 50 50	8,337 4,006 1,706 1,950 32,966 87,716 27,316 17,735 19,721 11,983 1,712 11,983 7,905 11,923 7,905 11,723 11	LON IN CRU Dubel Brent B Brent B Brent B W.T.J. W. Coll. I Premium Gen CB College Percentage Gold Sheet for Peters and Copper Cent College Central Copper Central Copper Central Copper Central Centra	DE OIL. Innet (da lend (Fe) PRODUCE Gasoli Anges. 1 Privoy o Frivoy o	FOS (protect) The second sec	S177 S16 S17	A7-7.51 A7-7.51 B.05-8.0	KETY 77 4 40 77 8 40 90 CF 1	1325 1325 1325 1326 1325 1325 1326 1327 1327 1327 1327 1327 1327 1327 1327
They had been the state of the	348.7 Style 307.1	+1.5 -1.0 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2	350.3 550.3	347.5 233.6 347.5 237.6 347.6 257.6	200 240 161 54 529 50 50 182 45 182 4	8,337 4,006 1,900 534 32,986 87,716 27,516 27,516 11,712 11,983 1,712 11,983 1,712 11,983 1,712 11,983 1,712 11,983 1,712 11,983 11,712 11,713	LON IN CRU Dubal Brent B Brent B Brent B Brent B W.T.L. IN Office In Office In Office In Office In Office In Office In In Of	DE OIL. Innel (da lend (Fe le	FOE by the second secon	\$177 \$16 \$177 \$16 \$177 \$16 \$177 \$16 \$177 \$16 \$177 \$177	A/Falsh .47-7.57 9.05-9.0 9.05-9.0 9.75-8.7 9.75-9.0 177-179 181-182 178-178 211-213 188-187 77 359 8 1129.95 125.0c 11.75c 5.77m 588.5c 21.70p	KETY 77 4 77 8 40 77 4 8 40 8 40 8 8 8	1375 1375 1375 1375 1375 1375 1375 1375
The SUC STATE SUC STATE SUC STATE SUC STATE SUC STATE SUC STATE SUC SUC STATE SUC	348.7 Style 302.6	+1.5 -1.0 -1.2 -1.0 -1.4 -1.5 -1.0 -1.4 -1.5 -1.0 -1.4 -1.0 -1.5 -1.0 -1.2 -1.0 -1.2 -1.0 -1.2 -1.0 -1.2 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0	350.3 550.3	347.5 233.6 347.5 237.6 347.6 257.6	280 240 161 64 540 528 577 283 776 233 776 233 776 11,106 375 12,200 150 150 150 150 150 150 150 150 150 1	8,337 4,006 1,276 1,990 32,996 87,716 27,519 17,725 19,721 11,563 1,712 10,993 7,505 10,993 17,125 10,993 17,125 10,200 14,272 1	LON IN CRU Dubat B Brent B Brent B Brent B Brent B Brent B W.T.L. IN Oil. 1 Promium Gold (or Sheer to Planting Gold (or Sheep	DE OB. Interd (da Interd (Fe) PRODUCT Argue. 1 Argue. 1 Fr troy of Fr t	FOE (p) 100(1) 101 101 101 101 101 101	\$177 \$16 \$177 \$16 \$177 \$16 \$177 \$16 \$177 \$177	47-7-5:9 47-7-5:9 9,05-9.0 9,05-9.0 177-179 181-182 177-179 181-182 177-179 181-182 178-178 179-179	FW 40 10 17 17 18 40 19 19 19 19 19 19 19 19 19 19 19 19 19	225 225 227 227 227 227 227 227
Interpolation of the Control of the	348.7 S12.5 302.5 302.5 302.5 302.5 302.6 200.9 10.61 10.51 10.51 10.51 10.51 10.51 10.51 10.51 10.51 10.51 10.51 10.51 10.51 10.55	+1.5 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0	390.3 390.5 390.5 390.5 390.9 390.6 11.80 11.40 10.62 10.62 10.62 84.80 98.85 84.80 98.10 127.80 127.80 128.00 128.00 128.00 128.00 128.00 128.00 128.00 128.00 128.00 128.00 128.00 128.00 128.00 128.00 128.00 128.00 128.00	347.5 337.0 337.4 337.4 5 CSS 11.38 11.40 11.17 11.18 11.40 11.17	200 240 151 154 54 54 54 54 54 54 54 54 54 54 54 54 5	8,337 4,006 1,976 1,976 1,976 1,976 1,712 11,763 1,712 11,763 1,712 11,763 1,712 10,303 7,505 10,200 14,272 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,272 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739 14,286 1,739	LON IN CRU Dubel Brent B Brent B Brent B Brent B W.T.J. W. Coll. I Promisin Gen CB John John Lin Lini Brent B GTHM Petaduar III GTHM Copper Cast Cu Tin (Kuat Tin (Kuat Tin (Kuat Tin (Kuat Tin (Kuat Jin Cast & Sheep (Cast & She	DE OIL. Innet (da lend (Fe) PRODUCE Gasoli Anges. 1 Privoy o Frivoy Frivo	FOE on the state of the state o	\$177 \$16 \$177 \$16 \$177 \$16 \$177 \$16 \$177 \$16 \$177 \$177	MFabl 47-7-51 3.05-8.0 3.05-9.0 3.05-9.0 177-179 181-182 177-179 181-187 183-188-187 183-188-187 183-188-187 183-187	FW 40 10 17 17 18 40 19 19 19 19 19 19 19 19 19 19 19 19 19	225 2235 2235 2235 224 4 4 2-3 3 2-2 4 117 118 125
Interpolation of the Control of the	348.7 S12.1 S10.6 S12.1 S10.6 S12.1 S10.6	+1.5 -1.0 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2	390.3 395.5 395.5 395.5 395.5 395.5 395.5 395.5 11.82 11.82 11.82 10.82 10.83 58.80 59.16 59.85 59.16 12.17 19.15 12.17	347.5 233.6 237.1	200 240 151 54 54 54 54 54 54 54 54 54 54 54 54 54	8,337 4,006 4,006 1,706 1,990 32,996 87,716 27,319 17,735 19,721 11,983 1,712 11,983 7,905 1,973 1,973 1,735 1,735 1,735 1,735 1,739 14,277 2,141 855 1,739 14,277 2,141 855 1,739 14,277 2,141 855 1,735 1,	LON IN CRU Dubat B Brent B Brent B Brent B Brent B Brent B W.T.L. IN Oil. 1 Promium Gold (or Sheer to Planting Gold (or Sheep	ber Oil. In distance of the control	FOES by the state of the state	\$177 \$16 \$177 \$16 \$177 \$16 \$177 \$16 \$177 \$177	MFabl 47-7-51 9,05-9,0 9,05-9,0 9,05-9,0 9,05-9,0 9,05-9,0 177-179 180-182 177-179 180-180-187 177-179 177-179 180-180-180 180-180 180-180 180-180 180-180 180-180 180-180 180-180 180 180 180 180 180 180 180 180 180	FW 40 10 17 17 18 40 19 19 19 19 19 19 19 19 19 19 19 19 19	225 2235 2235 2235 224 4 4 2-3 3 2-2 4 117 125 125
Interpolation of the Control of the	348.7 Style 200.6 200.9 Style 11.80 11.30 10.51	+1.5 -1.0 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2	390.3 395.5 395.5 395.5 395.5 395.5 395.5 395.5 11.82 11.82 11.82 10.82 10.83 58.80 59.16 59.85 59.16 12.17 19.15 12.17	347.5 233.6 237.1	200 240 151 54 54 54 54 54 54 54 54 54 54 54 54 54	8,337 4,006 4,006 1,706 1,990 32,996 87,716 27,319 17,735 19,721 11,983 1,712 11,983 7,905 1,973 1,973 1,735 1,735 1,735 1,735 1,739 14,277 2,141 855 1,739 14,277 2,141 855 1,739 14,277 2,141 855 1,735 1,	LON BERRY FROM CONTROL OF THE CONTRO	DE OIL. Interd (dated free free free free free free free fr	FOES by the state of the state	## S177 S16 S177 S16 S177 S16 S177 S1	MFabl 47-7-51 3.05-8.0 3.05-9.0 3.05-9.0 177-179 181-182 177-179 181-187 183-188-187 183-188-187 183-188-187 183-187	FW 10 10 17 17 17 18 10 10 10 10 10 10 10 10 10 10 10 10 10	225 2235 2235 2235 224 4 4 2-3 3 2-2 4 117 125 125
Interpolation of the Control of the	348.7 S12.1 S10.6 S12.1 S10.6 S12.1 S10.6	+1.5 -1.0 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2	390.3 395.5 395.5 395.5 395.5 395.5 395.5 395.5 11.82 11.82 11.82 10.82 10.83 58.80 59.16 59.85 59.16 12.17 19.15 12.17	347.5 233.6 237.1	200 240 151 54 54 54 54 54 54 54 54 54 54 54 54 54	8,337 4,006 4,006 1,706 1,990 32,996 87,716 27,319 17,735 19,721 11,983 1,712 11,983 7,905 1,973 1,973 1,735 1,735 1,735 1,735 1,739 14,277 2,141 855 1,739 14,277 2,141 855 1,739 14,277 2,141 855 1,735 1,	LON BERNE Brent B Brent B Brent B Brent B W.T.J. The Coll. I Premium B Coll. I Ben CB Jet Kull Diesel B CTH Gold Saver Ip Petfork Gold Saver Ip Petfork Copper Lead (U. The Coll. I Bened B Brent B B B B B B B B B B B B B B B B B B B	DE OIL. Interd (dated (Fei Gaeoth Argae.) Argae.) Argae.) Argae.) Fri troy o F	FOE (protection) The last last last last last last last last	\$177 \$16 \$177 \$16 \$177 \$16 \$177 \$16 \$177 \$177	#Fabl 47-7.519,05-80,375-8.75-8.75-8.75-9.75-9.75-9.75-9.75-9.75-9.75-9.75-9	Fe 0 0 0 0 0 0 0 0 0	225 2275 2
Interpolation of the Control of the	348.7 Style 1	+1.5 -1.0 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2 -1.2	390.3 395.5 395.5 395.5 395.5 395.5 395.5 395.5 11.82 11.82 11.82 10.82 10.83 58.80 59.16 59.85 59.16 12.17 19.15 12.17	347.5 233.6 237.1	200 240 151 54 54 54 54 54 54 54 54 54 54 54 54 54	8,337 4,006 4,006 1,706 1,990 32,996 87,716 27,319 17,735 19,721 11,983 1,712 11,983 7,905 1,973 1,973 1,735 1,735 1,735 1,735 1,739 14,277 2,141 855 1,739 14,277 2,141 855 1,739 14,277 2,141 855 1,735 1,	LON BE CRU Dubel Brent B Brent B Brent B Brent B W.T.J. THE CRU I I I I I I I I I I I I I I I I I I I	DE OIL. Inned (dated (Fei PPODICK Gaspoll Angue. 1 Angue. 1 In (per to ve (per to ve (per to ve) Angue. 2 S prod.) (Nauger to ve (per to ve) (Nauger to ve)	FOES by teach to the teach to the teach to the teach to the teach	## Same	#Febi 47-7-5:9,05-60,05-80,05-	Fe	225 225 227 227 227 227 227 227
The SUC SET SUC SET SUC SET SUC SET SUC SET SET SUC SET	348.7 Style 5	+1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0	393.3 395.5 395.5 395.5 395.5 395.5 395.5 395.5 11.40	347.5 232.6 387.1 387.4 387.4 387.4 387.4 387.4 11.58 11.40 10.17 10.17 10.00 10.15 10.00	200 240 151 54 54 54 54 54 54 54 54 54 54 54 54 54	8,337 4,006 4,006 1,706 1,990 32,996 87,716 27,319 17,735 19,721 11,983 1,712 11,983 7,905 1,973 1,973 1,735 1,735 1,735 1,735 1,739 14,277 2,141 855 1,739 14,277 2,141 855 1,739 14,277 2,141 855 1,735 1,	LON IN CRU Dubat B Brent B Brent B Brent B Brent B W.T.L. IN Oil. 1 Promium Gold (or Heavy F Nagriffer Jet Nagriffer Jet Nagriffer Jet Nagriffer B Gold (or Tin (New Cattle & Sheep () Pigs (five Lan. day Lon day Lan. day	DE OIL. Interd (dated (Fei PRODUK Greet) Argue. 1 Frigory of F	FOES (protection) The New York Common Commo	\$177 \$16 \$177 \$16 \$177 \$16 \$177 \$16 \$177 \$177	47-451 47-7-519 49-5-90 49-7-59 49-5-90 49-7-7-7-7 49-7-7 49-7-7 49-7-7 49-7-7 49-7-7 49-7 49	Fe	225 2275 2
The SUC SET SUC SET SUC SET SUC SET SUC SET SET SUC SET	348.7 Style 1	+1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0	395.3 395.5	347.5 233.6 387.1 387.4 387.4 387.4 387.4 387.4 387.4 11.58 111.40 10.17 10.00 10.00 10.17 10.00 10.00 10.17 10.00 10.00 10.17 10.00 10.00 10.17 10.00 10.00 10.17 10.00 10.00 10.17 10.00 10.00 10.17 10.00 10.00 10.17 10.00	200 240 161 549 240 540 240 170 251 170 170 170 170 170 170 170 170 170 17	8,337 4,006 1,906 1,907 32,906 87,716 19,721 19,721 11,563 1,712 11,563 1,712 11,723 1	LON BERNELL BRIEF	DE OIL. Inned (dai lend (Fei PPODIUX Gaeoth Anges. 1 Inned (dai lend (Fei PPODIUX Gaeoth Inned (dai lend (Fei PPODIUX Inned (Gaeoth Inned (FOES (protection) The New York Common Commo	\$177 \$16 \$177 \$16 \$177 \$16 \$177 \$16 \$177 \$177	#Fabl 47-7-519 49-549 47-7-519 49-55-9	Fe 40 (F)	225 225 227 227 227 227 227 227
The SUC SET SUC SET SUC SET SUC SET SUC SET SET SUC SET	348.7 S116 302.1 300.6 280.9 10.61 10.21 10.61 10.81 1	+1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0	390.3 595.6 595.9	347.5 233.6 337.0	200 201 161 164 164 165 164 165 165 165 165 165 165 165 165 165 165	8,337 4,006 4,006 1,950 1,950 32,956 87,716 17,735 19,721 11,763 11,772 11,963 11,772 11,963 11,772 11,785 11,775 11,785 11,775 11,785 11,775 11,785 11,775	LON IN CRU Dubel Brent B Gold [on Sheer b Plassing Copper Lead (U Tin (New Cattle S Sheep () Plassing Lon day	DE OB. Interest (data lend (Fei PRODUCK Greech Anges. 1 Anges. 1 Frigory of Frigory	FOES (protection) TES NAME TO STATE THAT TO STATE TO STAT	\$177 \$115 \$115 \$115 \$115 \$115 \$115 \$115	AF-6bi 47-7-5i 47-7-5i 49-5-9.0 49-5-9.0 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-75 47-7-7-75 47-7-7-75 47-7-7-7-75 47-7-7-7-7-7-7-7-7-7-7-7-7-7-7-7-7-7-7	Fe	1325 1325
Interpretation of the control of the	348.7 S116 302.1 300.6 280.9 10.61 10.21 10.61 10.81 1	+1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0	393.3 393.5 392.9 392.1 11.20 11.40	347.5 337.0 337.4 55.000 11.38 110.40 11.38 110.40 11.38 110.40 11.38 110.40 110.17 10.17	200 201 161 164 164 165 164 165 165 165 165 165 165 165 165 165 165	8,337 4,006 1,906 1,907 32,906 87,716 19,721 19,721 11,563 1,712 11,563 1,712 11,723 1	LON BERNELL BRIEF	DE OIL. Interest (data lend (Fei PRODUK R Gasoli Interest (data R Gasoli Interest (data) Interest (d	FOES up tends of the tends of t	\$177 S16 S17 S16 S17 S16 S17	#Fabi	Fe	225 225 227 227 227 227 227 227
Interpretation of the control of the	348.7 Style 5	+1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.5 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0	393.3 393.5 392.9 392.1 11.20 11.40	347.5 337.0 337.4 55.000 11.38 110.40 11.38 110.40 11.38 110.40 11.38 110.40 110.17 10.17	200 201 161 164 164 165 164 165 165 165 165 165 165 165 165 165 165	8,337 4,006 1,776 1,970 32,986 87,716 87,719 17,725 19,721 11,563 1,712 11,563 1,712 11,563 1,712 11,563 1,712 11,563 1,712 11,563 1,712 11,563 1,723 11,563 1,723 11,563 1,723 11,563 1,723 11,563 11	LON IN CRU Dubel Brent B Brent B Brent B Brent B Brent B W.T.L. III Oil. 1 Promium Gen Oil 1 Promium Oil 1 Pr	DE OIL. Interest (data lend (Fei PRODUK R Gasoli Interest (data R Ga	FOES by the land of the land o	STORE PROPERTY OF THE PROPERTY	#Fabl 47-7-519 47-7-519 49-54-6 47-7-519 49-54-6 47-7-519 48-7-519 48-7-6 48-7-	Fe	1325 1325
Interpretation of the control of the	348.7 S12.5 397.1 300.6 289.9 10.61 10.91 10.61 10.91 10.61 10.91 10.61 10.91 10.61 10.91 10.61 10.91 10.61 10.91	+1.5 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0	391.3 391.3 392.3 392.3 392.3 392.1 112.000 11.40 110.02 110.02 110.02 110.02 110.02 110.00 120.00 1	347.5 337.0 337.4 5 Cos 11.38 11.40 11.38 11.40 10.17 10.17 10.18 10.40 10.17 10.18 10.40 10.17 10.18 10.40 10.18 10.40 10.18 10.40 10.18 10.40 10.18 10.40 10.18 10.40	2005 2016 549 2016 549 2016 549 2016 549 2016 57	8,337 4,006 1,706 1,900 32,906 87,716 87,716 11,712 11,712 11,712 11,712 11,713 11,712 11,713	LON IN CRU Dubel Brent B Brent B Brent B Brent B W.T.L. IN COIL I Heavy F Naphina B Gold (pa Sheer to Pelledia Copper Lead (U Tin (New Cattle fi Sheep () Figs (he Lan. de) Barley () Matzu II Wheat () Rubber R Rubber R Rubber R Rubber R Rubber R Rubber () R	DE OB. Interest (data lend (Fei PRODUK Gasoli Angas. 1 Francy D Francy	FOES to teach the state of the	STORY STATE OF THE PROPERTY OF	#Fabi -47-7.513 9.05-9.0 9.05-9.0 177-179 181-182 181-183 181-	Fer Idea of the Id	1325 1325
Interpretation of the control of the	348.7 S118 302.5 302.1 300.6 269.9 444 111 (6) 11.30 10.61 10.51 1	+1.5 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0 -1.0	393.3 393.5 392.9 302.1 11.20 11.40	347.5 337.0 337.4 5 Cos 11.38 11.40 11.38 11.40 10.17 10.17 10.18 10.40 10.17 10.18 10.40 10.17 10.18 10.40 10.18 10.40 10.18 10.40 10.18 10.40 10.18 10.40 10.18 10.40	200 240 161 540 240 165 590 240 165 590 240 167 167 167 167 167 167 167 167 167 167	8,337 4,006 1,776 1,990 32,996 87,718 87,718 17,725 19,721 11,983 1,712 11,983 1,712 10,993 7,993 14,272 11,993 14,272 11,993 14,272 14,272 16,006 14,272 16,006 16	LON IN CRU Dubel Brent B Brent B Brent B Brent B Brent B W.T.L. III Oil. 1 Promium Gen Oil 1 Promium Oil 1 Pr	DE OB. Interest (data lend (Fei PRODUK Gasoli Angue. 1 Francy D Francy	FOES (protection) The second of the second	STORY STATE OF THE PROPERTY OF	#Fabi	FET STATE OF THE S	225 225 227 227 227 227 227 227

# ALUMINIUM BILTM/ LIAE 1500	Feb Apr 87 120 25 60 4 25	Feb Apr 7 22 45 61 122 124
(Grade A) UME 2500	125 96 62 55 24 -	Feb Apr 19 85 85 143 116 - Mar May
1500	222 24 162 20 146 16	- 111 - 141 - 174
850 875	Mar May 48 75 31 57 18 42	Mar May
1850	Feb Mar - 33 10 22	Feb Mer 2 27 16 46
LONDON SPO		KETS
Dubal Brant Blund (dated) Brant Bland (Feb) W.T.I. III OIL PRODUCTS NWE	\$17.47-7.57 \$19,05-9.0 \$18.75-8.7 \$19.95-9.0 prompt delive	7 -0.42 7 -0.42 8 -0.235
Premium Gaecline Gen Oli	\$177-179 \$181-182	-2
Heavy Fuel Oil Nephths. Jet Kys. Dissel Petrolyum Argus. Yel Lando	\$110-112 \$178-178 \$211-213 \$186-187 \$188-187 \$39 \$3	25 -1 -2 -3 -5
Gold (per troy oz) § Stiver (per troy oz) § Platinum (per troy oz.) Palladium (per troy oz.)	\$364,30 \$49,5c \$120,55	-2.2 -3.0 -1.25
Copper Lead (US prod.) Tin (Kuda Lumpur) Tin (New York)	125.0c 41,75c 15.77m 298.5c	+0.02
Cattle (five weight)† Sheep (itve weight)† Pigs (itve weight)†	121,70p 117,96p 105,62p	+0.17" -8.16" -8.26"
Lon day sugar (ran)	\$320.1 \$390.0	+1.3 +2.5
Slartey (Eng. feed) Matza (US No3 Yellow) Wheat (US Dark North)	Unq 151,02 Unq	:
Rubber (Febri) Rubber (Mar) (P Rubber (ML RSS Nort)	106.00p 106.00p 411.00m	-1.0 -1.0 -9.5
Coconut Oil (Philis Patm Oil (Maley.)§ Copra (Philis Soyabeena (US) Cotton Outbook A' Index Woollope (64a Super)	\$682.5y \$535.0z 432.0u 219.0 86.50	-17.5 -15.0 -12.0 -2.0
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INTERNATIONAL CAPITAL MARKETS

German bunds lifted by weak economic data

By Richard Lapper and Martin Brice in London and Lisa Bransten in New York

Fresh data provided further evidence of the extent of economic slowdown in Germany, fuelling outperformance by 10year bunds. In the US Treasuries were initially boosted by soft retail sales data but later fell back on renewed doubts about a budget agreement.

■ German bunds were helped by news that the number of people out of work in Germany as a whole rose by a higher than expected 68,000 in December, and that West German manufacturing orders fell by 0.7 per cent in November. The message that came

through from all the numbers was basically recession. The

slowdown is accelerating and the bottom line for bunds is extremely positive," said Mr David Brown, chief European economist at Bear Stearns.

Mr Julian Jessup, international economist at HSBC Markets, noted that the "traditionally pessimistic but well regarded" DIW Institute had revised its 1996 GDP forecast from 2 per cent to 1 per cent. Analysts argue that the figures increase the prospect of a cut in the discount rate, currently standing at 3 per cent. Mr Andrew Milligan, an economist at New Japan Securities,

Ten-year bonds outper-formed their US counterparts, with the yield spread falling by

says "on balance a cut is now

more likely", although he believes it is still unlikely

5 basis points to 17 points. On Liffe the March 10-year future reached a high of 110.02, before falling back to settle at 99.89,

■ The strength of the German market spilled over into the UK in the morning but gilts

GOVERNMENT BONDS

lost ground in the afternoon and underperformed bunds on the day. Rumours that the government may lose the support of another Conservative MP hit investor confidence.

"The markets are on edge ment on the political front," said Mr Don Smith, UK economist at HSBC Markets.

switching out of gilts into a £400m eurobond issued yesterday by the European Invest-ment Bank. On Liffe the March long gilt future settled at 110; up 1. In the cash market the 10-year yield spread over bunds rose from 164 basis points to 166 points.

■ The French market was also helped by the German economic news, which could increase the prospect of a cut in local short-term interest rates. On Matif the March 10year futures contract gained 0.34 to settle at 120.86.

■ A stronger dollar helped European high yielders, while Swedish bonds were given extra impetus through a 25 30-year Treasury bond was basis point cut in the repo rate down & at 111 k, yielding 6.061 extra impetus through a 25

A trader reported some to 8.66 per cent. Italy, Spain and Sweden all outperformed Germany, with 10-year yield spreads falling respectively from 469 to 460, 359 to 354, and 234 to 228 basis points.

> In the US bonds moved higher early in the day after the release of the Mitsubishi Bank Schroder Wertheim index of chain store sales. which fell a seasonally adjusted 26 per cent last week from the previous week. However, Treasuries later retraced most of their gains as

> negative rhetoric emerged from the White House and Congressional leaders, who are negotiating how to balance the budget by 2002.

per cent and the two-year note was unchanged at 100s, yielding 5.182 per cent. The slip at the long end caused the yield curve mapping the spread between two-year and 30-year issues to steepen by 4 basis points to 88 points.

Treasuries began moving higher late last year amid hopes that Republicans in Congress and the Democratic president would agree to a deal to balance the budget. Comments from Washington yesterday dimmed some of those hopes. A spokesman for President Clinton said there were still big differences between the negotiating parties, and a spokesman for the House

Republican leader, Mr Newt Near midday, the benchmark Gingrich, said that negotia-tions could end later yesterday with no agreement.

UBS favourite to run Grupo Sol sale

Union Bank of Switzerland has emerged as the front-runner to arrange the flotation of Grupo Sol Melia, Spain's biggest hotel company and the third-largest hotel chain in Europe.

The company, which is owned by its founder. Mr Gabriel Escarrer, is due to make a final decision at a board meeting on Friday. The rest of the underwriting syndicate is expected to include BZW, Morgan Stanley and SBC Warburg.

Bankers believe that about one-third of the company will be sold in the flotation, which is scheduled for May. The offering is expected to raise between \$250m and \$300m. which would value the whole company at \$830m to \$1bn. Grupo Sol will be the first hotel chain to be listed on the

investors exposure to Spain's buoyant tourism industry for the first time. Other hotel com-panies are believed to be considering flotations, such as NH Hoteles, Spain's fifth-largest hotel chain, and the state-

owned Paradores de Turismo. Grupo Sol's flotation comcides with a strong recovery in the world hotel market and is expected to arouse interest among international investors. However, the split between the domestic and international tranches of the offering has not

yet been decided. The company has decided to go public to finance its transition from being a Spanish hotel chain to a fast-growing international concern. Although it is still based on the holiday island of Majorca, where it was founded 40 years ago, it now manages 182 hotels in 22 countries, from Latin Madrid stock exchange, giving America to Asia.

Negotiated sterling issue for EIB receives a warm welcome

By Conner Middelmann

It was another busy day in the eurobond market, with 17 new issues launched and another batch of deals in the pipeline. In the sterling sector, the European Investment Bank's £400m issue of 10-year bonds received a warm welcome. "This was the EIB's first eurosterling issue on a negotiated basis, and it was well oversubscribed," said a syndicate manager for HSBC, which led the deal jointly with BZW.

The bonds were priced to yield 15 basis points over gilts. and while some dealers felt that was too aggressive, others reported strong demand from investors in Asia and Europe, especially UK institutions.

The EIB also issued L500bn of five-year bonds which, though tightly priced, compared reasonably with secondary market levels and attracted Italian institutional as well as Swiss and Benefux interest.

The dollar sector saw a \$500m issue of 10-year bonds for the Federal Home Loan Mortgage Corporation. The deal is to be priced tomorrow at a spread of 25 basis points over Treasuries, which some dealers deemed too tight compared with secondary US

INTERNATIONAL Bonds

agency paper trading at 27-28 basis points over Treasuries Still, the lead managers said international demand for dollar bonds and investor appetite for current-coupon 10-year

paper would support the deal. Toyota Motor Credit Corporation also tapped the dollar sector, with \$300m of retail-targeted two-year bonds yielding flat on Treasuries. While most dealers felt confident the triple-A rated bonds would get placed easily, some said retail investors are shifting their

preference to five-year paper. which offers higher coupons. After its successful foray into the Swiss franc market on Monday, the Republic of Austria issued DM1.5bn of 10-year bonds, to be priced today at a spread of 18 basis points over bunds. Lead manager Dresdner Bank reported good demand from Europe and Asia, although some dealers said the

spread was too tight and would

have been more appropriate at

around 21 basis points. After a one-year absence from the eurobond market, the Republic of Finland issued DM750m of seven-year bonds. While the pricing, at 10 basis points over bunds, was ambitious and the yield spread widened to 13 over bunds, lead manager Deutsche Morgan Grenfell said it was "an important deal for Finland, enabling it to establish itself as a credit that can achieve better sub-

Libor funding". The Canadian dollar sector

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came back to life with two issues, C\$200m of five-year bonds for the Kingdom of Swe-C\$1bm global bond this week. den and C\$100m for Société Also expected are £200m of 10year bonds for the National Grid priced at a spread in the Quebecoise D'Assainissement

mid-40s over gilts; a DM1bn The Province of Ontario is rumoured to be planning a issue of five-year bonds for the Kingdom of Sweden; and a

Day's change %

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\$300m issue of 10-year bonds

for the Japan Finance Corpora-

tion for Municipal Enterprises.

0.12 5 yrs 0.00 15 yrs 1.02 20 yrs 0.00 kred.†

European ratings from S&P improve in 1995

Yr. ago Jan 9 Jan 8 Yr. ago Jan 9

8.73 8.73 6.73

7.02 7.74

7.00 7.71

By Conner Middelmann

The improved economic environment was beneficial for European credit ratings in 1995, and moderate growth and inflation should remain positive factors in 1996, said Standard & Poor's, the international rating agency.

"With regard to credit quality, the economic environment should be generally benign in 1996," said Mr George Dallas, managing director of S&P's European operations.

"The key factor driving private sector ratings in Europe will be competitive pressures, while political factors - espe-cially fiscal policy - will be the critical issue for public-sector ratines.

In Europe last year, 37 debt issuers were downgraded and

6.98

8.73 8.80 8.67 8.66

34 upgraded, compared with 56 downgraded and only nine upgraded in 1994. Worldwide, S&P carried out 531 downgrades and 452 upgrades. The banking sector saw the

highest number of downgrades

globally, with 255 ratings lowered and 130 reised. in Europe, 20 banks were downgraded and 16 upgraded. "The outlook remains challenging and we don't expect

many upgrades," said Mr Barry Hancock, S&P's European banking analyst.

While improving economic conditions led to a few rating improvements in 1995, bank ratings are likely to come under further pressure in coming years from continuing competition, deregulation and disintermediation on the asset and the liability side, he said.

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7.09 7.82 7.88

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9.00 9.00 3.00 3.00 1.60 1.50 5.25 5.25

CURRENCIES AND MONEY

MARKETS REPORT

German data shifts focus to interest rate outlook

D-Mark

115 -

109 -

Trade-weighted Index

icy. The discount rate was cut

to three per cent in mid-De-

rency analyst at the BCA Research Group in Montreal, said he was surprised the

D-Mark was not weaker. He reminded that the Bundesbank

had sold D-Marks last August

around DML46 when helping support the dollar. At the time

DOLLAR SPOT

Mr David Abramson,

By Philip Gawith

Currencies had a fairly quiet day yesterday, with the focus instead on the outlook for German interest rates following the release of various survey and economic data confirming the weak state of the economy.

Unemployment was higher than expected, industrial production figures were disappointing, and there was a bearish tone to the forecasts from DIW, one of the leading arch institutes.

Markets concluded that this brought forward the likelihood of an early easing of German monetary policy, with the euromark interest rate futures gaining ground across the curve. The June contract closed eight basis points firmer The June contract at 96.63, from 96.55, discounting short term interest rates of 3.37 per cent by mid-year, compared to the current level of 3.7

The D-Mark was fairly resilient, closing only slightly

Harris in h

weaker against the dollar, at from DM2.2322. Against the DM1.4432, from DM1.4403. In dollar it closed at \$1.5455, from Europe it was fairly stable. closing unchanged against the French franc at FFr3.427. The lira made up some ground, to finish at L1,091, from L1,095. The Swedish krona

responded positively to a rate cut, closing at SKr4.578, from SKr4.597 after the Riksbank cut the repo rate to 8.66 per cent, from 8.91 per cent Trading was again quiet,

with liquidity still affected by the adverse weather in New York which kept many traders away from their desks. Sterling dipped slightly on rumours of a further MP defecting, which would further compromise the government's weak hold on power. The pound finished at DM2.2304,

1.5475 1.5482 1.5441 1.6322 1,5505 1,5493 1,5471 1,5365 \$1,5499

■ The inability of the dollar and the European currencies to make further progress against the D-Mark would appear to be the result of domestic uncertainties in these countries: the unresolved budget situation in the US, and political uncertainty in countries like Italy,

Spain and the UK. Mr Peter Farley, currency analyst at MMS in London, said the D-Mark had had a softer tone to it, but that there had not been any aggressive appetite to sell the currency. He said that the likelihood of Germany cutting interest rates in the first quarter had

Previously many observers had not expected any further movement in official rates until the second quarter, when the Bundesbank would have had time to assess the impact of the previous easing of polhe said, the Bundesbank had probably felt German inflation pressures were low, the currency was overvalued, and it would not have wanted a revaluation against the yen which had fallen dramatically from its high in March,

He said the monetary policy settings in Germany, and elsewhere in Europe, were too tight. But he worried that European authorities might be tardy in taking the necessary response. Mr Abramson said that back in 1992 the authorities had waited until they had a real crisis on their hands

before acting.

If so, the implications for the dollar are that it may need to fall against European curren-cies before moving upward.

The South African rand has performed well this year buoyed by foreign inflows into the bond and equity markets which have rallied strongly Increasing belief that th

driven long bond yields below 14 per cent, with the stock market rallying on the expectation of lower interest rates and

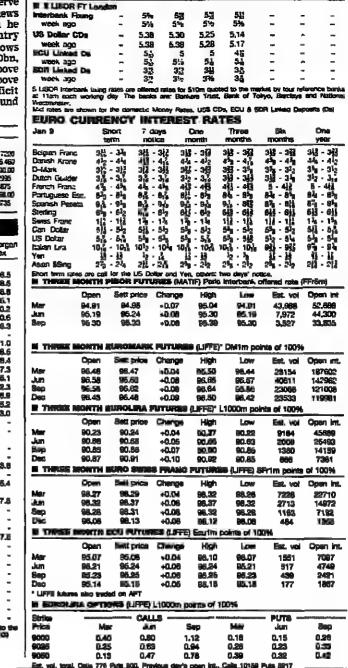
a buoyant gold price. The rand closed at R3.627 against the dollar, from R3.642

the current account deficit which he expects to be around R12-15bn in 1998.

Reserve Bank is getting the

on January 2. A year ago, the financial rand, used by foreign investors and subsequently scrapped, was trading at R4.05. Mr Chris Stals, the Reserve Bank governor, had good news to offer the market when he predicted that the country would enjoy capital inflows this year of around R20bn, more than 50 per cent above the 1995 figure, and well above

,Jan 9	£	3
Coach Ro	41.2700 - 41.3095	35,7120 - 2673
Hungary	210.754 - 210.954	135.410 - 136.4
kan	40770 - 465 N	WARD - 3300
Company .	0.455 - D.AIDO	0.2992 - 0.2992
Poland	3,8439 - 3,8454	24860 - 24873
Resid	7214.72 - 7212.00	AND AN - HERLY
LAE	5.6743 - 5.6789	3,5727 - 3,6739



WORLD INTEREST RATES

Three cities

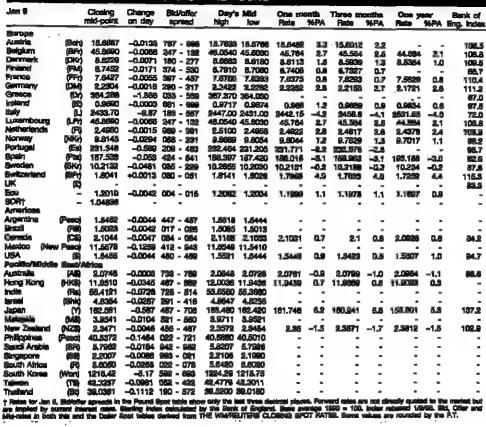
MONEY RATES

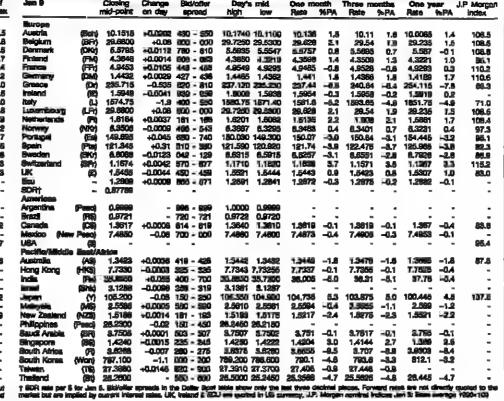
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week ago tretand week ago week ago Netherlands

meek albo

Japan week ago

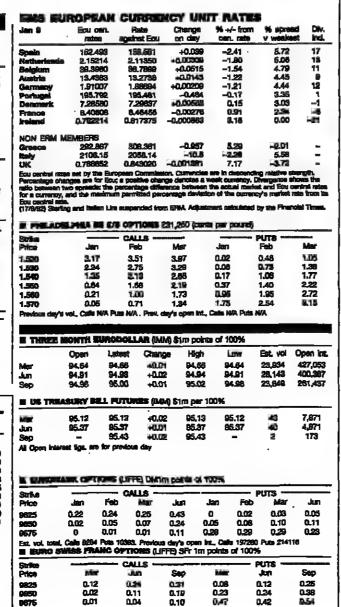




Mici-ration in b	oth this and	the Doller	Spot tables	derived from	m THE V	NAMEUT	ERS CLOS	040 SPUT F	ATML So	mi values	are round	ed by the i	AT.			- :		
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Contract to	ĎΚr	53,19	10	8.864	2.555	1.124	2823	2.897	11.35	268.2	217.4	11.84	2.082	1,160	2.440	1,70		
France	(FFE		11.29	VO.	2,918	1,260	3185	3.268	12.84	302.8	245.3	13,36	2,360	1,308	2.753	2.023		
Cenneny	(C)44		3.867	3,427	1	0.405	1091	1.120	4,401	103.7	84.08	4.578	0.809	0.440	0.943	0.663		
ireland .	065		8,899	7.886	2.301	- 1	2512	2,678	10.13	234.7	193.5	10.54	1.862	1.002	2.171	1.090		
ltmly .	0.		0,354	0.314	0.092	0.040	100.	0.103	0.408	0.505	7.703	0.419	0.074	0,041	0.066	0.064		
Netherland	. <i>(</i> A		2,452	8.060	D.898	0.398	974.4	1	2.929	92.59	76.06	4.067	0.722	0,400	0.842	0.816		
Norway	(NK)		8.796	7.787	2.272	0.967	2480	2,546	10	235.7	191.0	10.40	1,839	1,018	2144	1.573		
Portugal	(E=		3.728	3.504	0.064	0.418	1052	1.080	4.243	100.	. 81.05	4.414	0.780	0.482	0.910	0.656		
Speln .	(Pte		4,500	4.078	1:100	0.517	1296	1,832	8.238	123,4	100.	5,445	0.982	0.332	1.122	0.825		
Sweden	(SK)		8.445	7.485	2.184	0.849		2.447	9.613	226.5	- 163.6	10	1.767	0.979	2.061	1.514		
Dynituariend	370		4.780	4.237	1.298	0.537	1349	1,985	5.441	128.2	103.9	5.680	-1.	0.554	173106	0.857		
UK	Œ		8.623	7.843	2.230	0.989	2434	2,496	9.815	231.8	187.5	10.21	1.804	1	2.104	1.54		
Cenada	(C\$		4.098	3.533	1.060	0.461	1167	1.187	4.855	109.9	89.12	4.853	0.857	0.475	_1_	0.736		
US	į (S		5.578	4,944	1.442	0.627	1974	1,576	5.349	149.6	727,3	6.804	1,167	0.647	1.361	1	105.2	
معريها	(Y		6.308	4.700	1.871	0.598		1.538	6.038	142.8	116.3	6.279	1.100	0.615	1.294	0.951		
Bot		SM 19	7.100	6.364	1.857	0.807	2027	2,080	6.172	192.6	188.1	8.501	1.502	0.833	1,732	1.287	135.4	1
Denish Kroner	, French Fre	na, Narwii	gian Jironer,	and Swedi	sh Krono	r per 10;	Beigien A	rano, Yjen, lis	gudo, Lire	and Pass	de per 100							
TO MARK	PUTUTE	OMMO D	M 125,000	per DM					<u> = 4</u>	PARE	W YER P	UTURNE	(IMM) Yen	12.5 pe	Yen 100	1		
	Open	Latest	Charge	High		OH	Hat. voi	Open Int.	_		Open	Latest	Change	Hig	h L	£W	Est. VO	Open Int.
		0.6955	0.0017			935	15.010	57,309			0.0007	0.0815	+0.0026	0.98	2G DJ	1590	19,148	78.072
Mer	0,8972 0,8978	0.8978	-0.0024			3985	325	4.000	Jun		0.9715	0.9730	+0.0006	0.97	30 0.5	9707	474	2,508
Jun .	0.0970	0.7031			_	_	22	1.201	Seo		=	0.0820	-	-		_	8	351
9ep	_							-			-			_				
m pwies P	TANC IV	JURIS (MMI) SF: 1	25,000 pe	1 SP1				134		O FUTUR	E (INOV)	202,600 p					
Mari	0.0085	0.8626	-0.000	0.867	0 0.8	3593	7,625	38,411	No.		1.5502	1.5476	-0.0028			W-63	8,097	35,908
Mor	0.8708	0.8685	-0.005			368G	25	1,042	- Jun		-	1.5430	-0.0036			5410	2	36
Jun Rom	U.57U0	0.8758	-0.0055			1750	2	92	Вер		-	1.\$380	-0.0048	-	1.3	9880	1	5
Sep	_	314.34																

LOND	N MO	MEA LY	1153				
Jan 9		Over-	7 days notice	One month	Three months	months	One yeer
interbank S	itering	7 - Blg	6/4 - 5 ² 6	676 - 679	6 ¹ 2 - 6 ¹ 8 618 - 613	61 - 61 61 - 61	64 - 64 44 - 44
Sterling CD		•	-	6½ - 6½ 6½ - 6½	64 - 64 65 - 65	A25 - A25	- AND
Treasury B		-	-	813 - 613	6H - 6A	64 - 64	- 1
Blank Bilts			63 - 64	64 - 64 64 - 64	12.0	64 - 65	63 ₄ - 63 ₆
Focal Smith	ority depa-	64 - 64	64 - 64	off - off	-		
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LONDON STOCK EXCHANGE

Political fears see Footsie fall after new record

By Steve Thompson, UK Stock Market Editor

Turnover in London's equity market accelerated appreciably yesterday, as investors initially reacted positively to the increased bid for Forte and then negatively to the re-emergence of political worries surrounding the Conserva-

Adding to a day of intense activity was a poor early showing by Wall Street yesterday, plus a raft of rumours, some bullish and some bearish, involving leading stocks. One of the influential US investment banks, Morgan Stanley, caused some damage to the market,

ley said, offered increased earnings in the future. growth potential.

Another US investment bank. Goldman Sachs, increased the pressure on equities, by adopting the view that 1996 will be a much more difficult year than 1995, citing increased political uncertainty. Goldman Sachs has forecast an end-1996 FT-SE 100 level of 3.400. Political worries, which have

dogged the market in recent months, notably last week when Miss Emma Nicholson defected from the Tories to the Liberal Democrats, emerged in the after-

advising its clients to reduce their noon with a wire service carrying a exposure to UK equities in favour of story that a Conservative MP may sured on the downside, with the German stocks which, Morgan Stan- not be voting with the government

> There was no inkling of the turbulence to come when the market opened for business. Kicking off virtually unchanged, Footsie quickly gathered itself as the Forte/Granada increased bid was announced, and moved up to hit a new intra-day record of 3,728.6 within the first hour of trading.

Thereafter, the index drifted back before weakening significantly around lunchtime. With Wall Street opening lower, Footsie briefly lost the 3,700 level, before scrambling back to close a net 20.3 off at 3,700.3.

Second liners were equally pres-FT-SE Mid 250 settling a net 9.2 down at 4,070.9.

Among individual stocks, Euro-tunnel fell heavily and caused ripples of unease across the banking sector, on news that the company had called a press conference for today, prompting fears that more provisions may be announced.

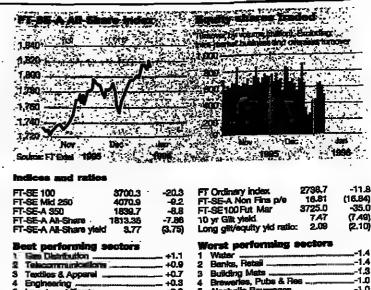
The increased bid from Granada for Forte, the hotels and leisure group, came as no surprise and saw Forte shares move sharply higher before slipping back later in the session. A number of influential analysts reckoned that Granada's carefully crafted bid increase may have

done enough to win the day; "the pendulum may have swung Granada's way" said one.

House of Fraser was one of the casualties of the day, shocking the market with a profits warning that triggered widespread profit downgrades.

British Aerospace celebrated the forthcoming float of the Orange celhılar phones group, in which it has a 31 per cent stake, with the shares surging to a record high.

Turnover at 6pm topped the 800m shares mark, reaching 809.6m, boosted by the placing of the rump of Melrose Energy's rights issue. Customer business on Monday was worth £1,29bn.



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Tunnel worries hit banks

Banking stocks, already under pressure from new year profit-taking, were hit by bad debt concerns.

Worries came in front of a Rurotunnel press trip, scheduled for this morning. The trip to the Calais site has been arranged for a couple of weeks and flagged as being little more than a look around the company operations,

However, in the light of Eurotunnel's suspension of debt repayments and subsequent attempt to negotiate with its principal lenders, analysts expected something more.

Speculation ranged from wilder comments by some traders that the receivers could be called in to suggestions that there would be an update on trading. In the latter case, any update might well prompt the

banks to raise their provisions. And Mr John Aitken of UBS was telling clients yesterday that in any case, most of his rivals had not factored in the full figure. Mr Aitken said that while direct loans have been accounted for in analysis' forecasts, indirect loans via the European Investment Bank have not been fully taken into consideration

He believes the full figure for National Westminster could be 2250m, the figure for Midland £200m and that for Barclays £100m to £150m. Subsequently, NatWest slipped 9 to 644p, Bar-

parent of Midland - 15 to 1007\sp in the ordinaries, Euro-77p, within a hair of their all-time low.

BoS improves

Bank of Scotland avoided the weak trend in the sector. as optimism over the imminent float of its Australian arm combined with merger speculation. The original terms for the

flotation of Bank of Scotland's 49 per cent stake in the Perthbased BankWest was expected to raise A\$437.7m with the shares sold at A\$2.05 each. Yesterday, dealers said the stock was trading at A\$2.40 on the unofficial market. Also, one analyst was sug-

gesting that a merger with Standard Life, the mutual life assurance company, could be on the cards. Mr Martin Hughes of Credit Lyonnais Laing believes that now Standard has lost its Halifax Building Society link, it needs to acquire a pure banking busise, and as it already owns a third of Bank of Scotland the two would be a good fit. The Scottish bank's shares gained 51/4 at 300p.

BAe advances

Speculation that a bid or merger was on the cards for British Aerospace drove the group's stock sharply forward to make it the best performer in the Footsle.

The shares jumped 22 to 834p, with dealers suggesting such a move was a good possibility following Monday's news that Lockheed Martin, the US defence and aerospace company, is buying the electronics

business of rival Loral, to create a defence giant with turn-over of \$30bn.

One trader said: "There is no alternative, such a deal must be on the cards if BAe is to compete effectively with US companies." Those suggesting a takeover of BAe pointed to GEC as the group's most likely suitor. GEC shares closed 5 lighter at 359p.

Sentiment in British Aerospace was boosted by reports that mobile telephone company Hutchison Orange, in which it has a 31.5 per cent stake, is to be floated in March.

Analysts also pointed out that the Al Yamamah 2 defence contract with Saudi Arabia, on which BAe is the lead contractor, is going well and that there was a prospect of further Middle East orders. A two-way pull in Rolls-Royce brought volume of

14m by the close. The company won a \$475m order to supply stroke. This would leave Gran-

engines for Malaysian Airline System. The shares finished unchanged at 195p.

Market sentiment vesterday appeared to be shifting in Granada Group's favour after it raised its hostile bid for Forte to around £3.74bm The improved offer values

each Forte share at 371.86p, with a cash alternative of 362p also available. A trader said: "It appears to be pitched at just the right level for victory." Analysts said Mr Gerry Rob inson had been particularly impressive at yesterday's analysts meeting when setting out

details of the improved offer. The market was particularly cheered by news that Granada would sell Forte's Exclusive and Meridien chains should tt win control of Forte, and one analyst said: "The earlier concerns that Granada knows nothing about running big hotels was banished at a

	Jen 9	Ties 9	Jim 6	Jan 4	Jan 3	Yr ago	"High	"Low
Ordinary Share	2738.7	2750.5	2737.2	2734.1	2726.8	2353.2	2790.5	2238
Ord. div. yield	3.96	3.94	3.95	3.97	3,95	4,44	4,73	3.9
P/E ratio met	18.18	18.27	16.18	18.14	16,15	17.75	21.33	15.3
PVE ratio nd	15.97	16.06	15.98	15.94	15.95	17,19	20.21	15.1
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Jan. 9 "Data based on Equity shares listed on the London Share Service.

ada as a more focused UK lei-

sure company." There was heavy dealing in both Granada and Forte throughout the session. As sentiment turned in Granada's favour, shares in the group recovered from an earlier fall of 24 to end just 6 off at 637p, after strong buying in the second half of the day. Volume

was a hefty 14m. It was a different story for Forte, which rejected the improved offer. At the day's best the shares were up 23, before they surrendered the rise on a feeling it was going to lose the bid and on strong profit-taking which brought vol-ume of 35m, the second highest daily total on record,

J. Sainsbury put on 3 at 389p in turnover of 2.5m. There was talk late in the session that the company was set to announce board changes today.

The shares have been under a cloud over the last few months, burt by the current price war among supermarket chain operators end a feeling that Sainsbury was being left behind by arch rival Tesco. The lack of a nationwide lovalty card is also thought to have hurt sentiment, all of which has contributed to a writes of sell recommendations and profits downgrades from several brokers over the last three months.

Tesco closed a penny lighter at 306p, though Argyll Group among the leaders continued in demand, the shares firming 4 to 846p. Telecoms leader BT was

squeezed 9% higher to 357p. Lower down the league, cable group Nynex Cablecomms was steady at 105p for most of the was seen following a slide from 147p in September. It closed a penny easier at 104p.
The prospect of Granada winning control of Forte

exacted a toll on several stocks.

IT - SE Ar lane Salta Indic

was Whitbread, where the shares tumbled 17 to 681p after

As part of its defence, Forte had agreed to sell its roadside restaurant business in a \$1.05m. deal, though the deal was conditional on Forte escaping the cluiches of Granada.

Elsewhere, there was talk that Rass and Ladhroke may be in line to purchase the Meri dien chain should Granada Group win the bld.

Shares in the former finished 10 cheaper at 724p on the talk, while the latter surrendered 4 to close at 150p, though analysts dismissed speculation of Ladbroke making such a move.

MARKET REPORTERS

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Hourly movements

80 INVESTMENT TRUSTS(127)

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Open \$300 10.00 11.00 12.00 12.00 14.00 15.00 16.10 Close Previous Change 10812 1081.7 1059.3 1059.0 1058.0 1055.6 1055.2 1055.2 1082.7 1052.7 1053.1 5003.9 5005.9 4897.4 4998.6 4985.2 4888.8 4892.0 4893.4 4890.2 4981.5 5011.8 2101.0 2098.1 2096.7 2096.1 2081.1 2075.8 2076.8 2077.8 2078.4 2078.4 2108.0 4127.8 4115.4 4116.7 4119.2 4112.8 4111.5 4111.4 4098.8 4078.9 4078.2 4134.3

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OFFER ON BEHALF OF GRANADA GROUP PLC FOR THE OUTSTANDING 6% PER CENT. SUBORDINATED CONVERTIBLE BONDS DUE 2008 OF FORTE Plc ("Force Convertible Bonds")

Lazard Brothers & Co., Lamired ("Lazard Brothers") announces on behalf of Grunada Group FLC ("Granada") thus, by means of a tempal other document dated the January, 1996 (the "Other Documents") and by an adversacement at the "Everang Standard" on this January, 1996, Letard Brothers has made as other title "Conternible Other" to publish of Granada for all of the Forse Convertible Roots. Terms defined an the Other

The Convertible Offer compress 11.958 new Granuda Shares and £90.383 or cash for every £100 nominal of Forte Convertible Bondo. Forte Bondholders who validly accept the Convertible Offer in any effect to receive additional state instead of all or any of the new Granuda Shares which they would otherwise receive under the Convertible Offer on the Dama of £102.13 or cash for every £100 nominal of Forte Convertible Bondo (the "Con). Afternative" is Porte Bondholders who validly accept the Convertible Offer on the rest of the cash state instead of all or part of the cash consideration to which they would otherwise be entitled under the Convertible Offer rise "Share Electron" is Electron's both the Share Electron with the authorized only to the cash alternative is a defined on the Other Document, if the number of new Granuda Shares not acceptable is the Forte Shareloiders and Forte Bondholders on a rection of their cash alternative is a defined on the Other Document, if the number of new Granuda Shares not acceptable from electrons for the Cash Alternative is a defined on the Other Document, if the number of new Granuda Shares made available from electrons for the Cash Alternative is a defined on the Other Document, if the number of new Granuda Shares made available from electrons for the Cash Alternative is a defined on the Other Document, if the number of new Granuda Shares made available from electrons and provide down per oral as a nearly as measurable to provide a complete of the Document of Loan Noves to recept the cash to which such acceptage bondholders would utherwise have become english order the Convertible Otte, fractional entitlements being remaided down to the nearest whole purples.

Force Sondholders who validly accept the Conversible Offer may elect to receive Loan Notes immed at all or part of the cash consideration due to their under the basic terms of the Conversible Offer on the basic terms of the Conversible Offer on the basic terms of the Conversible Offer on the basic terms of the Conversible Offer the Offer

Share Election.

The full terms and conditions of the Convertible Office, the Cash Alternative, the Share Election and the Loan Vote Alternative are set out in the Office Document. The Convertible Office and the Cash Alternative are set being made directly or undirectly so we give the United States, Cassada or Asstalia, everywhere personned by applicable law Subject to this encryption, neither the Office Document now the From of Acceptance may be distributed or term in, min or front the United States (whether by the of the made or by any means or instrumentality or interstate or investigation commerce). Canada or Asstralia and drung sy rites reader invited any purposted acceptance. Further details in this regard are contained in the Office Pocument. Also pray of techniques who the latest posted and purposed acceptance. Further details in this regard are contained in the Office Pocument. Also pray of techniques the office Document of the Control of the Office Document of the

the Loan Notes was be referred, sold, model or delivered, denotity or unkneedy, as or more the United States, Canada or America.

The Convertible Offer and the Coah Alternative are bring made by means of the Offer Document and the advertisement in the "Exempty Standard" as referred to above and are capable of acceptance from and aire 3.00 per on the Document and the received as wore as proable and or are even in later than 1.00 per on the Acceptance. Asceptances of the Overerable Offer should be received as wore as well as copies of the Overerable Offer Document and the Form of Acceptance. Asceptances of the Overerable Offer Document and the Letting Particulars referred to or the Offer Document and the form of Acceptance as well as copies of the Overerable Offer Document and the Letting Particulars referred to or the Offer Document are available for collection, tree not through Letting Particulars. (*O Exe 168, Boarne House, 34 Bockenham Road, Berkenham, Kens BRA 5714 and Roven Learn 2.2 Moorfields, Landare E.-C. 2417, Copies of the Offer Document and the Form of Acceptance as well as copies of the Overgand Offer Document and the Later and Acceptance as well as copies of the Overgand Offer Document and the Later and Acceptance as well as copies of the Overgand Offer Document and the Later and Acceptance as well as copies of the Overgand Offer Document and the Later and Acceptance and Copies and C

The Direction of Granula accept responsibility for the offensatum contained in this advertisement and, to the best of their innovietige and belief that and manuscally care to consider such in the savet, such internation is in accordance with the facts and does not open an during

This advertisement is published on behalf of Granada. The contents of this advertisement this which the Directors of Granada accept responsibility have been approved by Lazard Borchers, which is regulated by The Securities and Futures Authority Limited, solely live the purposes of Section 5° of the Francis Act 1996.

OFFER ON BEHALF OF GRANADA GROUP PLC ("Granada") FOR THE OUTSTANDING 614 PER CENT. SUBORDINATED CONVERTIBLE BONDS DUE 2008 OF FORTE Pla ("Bonds")

NOTICE TO HOLDERS OF BONDS IN BEARER FORM

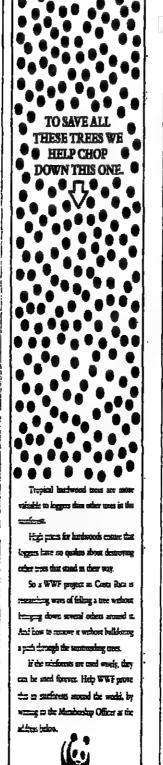
Lazard Brothers & Co., Immed ("Lazard Brothers") announces on behalt of Granadz that, by means of a formal other document detell who January, 19% (the "Other Document") and an advertisement on the "Extense Vandard" on 9th January, 19%, Lazard Brothers has reade an other the "Convertible Other") on behalt of Granada for all of the Broths. Terms defined on the Other Document have the same meanings in this advertisement.

United States, Canada or America.

Copies of the Office Document and the Form of Acceptance 1st well as copies of the Original Office Document and the Listing Particulars referred to in the Office Document) are available for collection, free of charge, from New Issues Department, Barchiel Registers, FO Box 164, Bontine House, 34 Berkinshian Road, Beckenshian, Kenn Red. 45 171 and from Lazard Brothers at 21 Moorking, ECP 24TC Copies of the Office Document and the Listing Farmediars referred to in the Office Document and the Listing Farmediars referred to in the Office Document listing also been sear to the Registers of the Bonds, Lixeds Bank Registers, at the Canada Foresta, West Susses BN49 6DA, to Document) lister also been sear to the Registers of the Bonds, Royal Bank of Canada at 71 Queen Victoria Street, London EC44 4DR, International Nederlandon Bank (Belgium) S.A. at Rise de Ligne, B-1000 Brussels, Royal Bank of Canada (Susse) at Rec Didas o, CH-1204 Genera and Banguer Generale da Lintenhourg, S.A. at 2" Average Montever, 1. 2951 Lintenhourg and to Gold Bank, worst mouves at 6" Bontevard Banguer Generale da Lintenhourg, S.A. at 2" Average Montever, 1. 2951 Lintenhourg and to Gold Bank, worst mouves at 6" Bontevard General Bank of Canada Susception Central Copies (Copies Central Copies Central Copies Central Copies (Copies Central Copies Central Copies Central Copies (Copies Central Copies Central Copies Central Copies Central Copies (Copies Central Cent

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When you stay with us in **BRUSSELS** stay in touch

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FINANCIAL TIMES WEDNESDAY JANUARY 10 1996 *	29
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Slides in tech stocks, bond market hit Dow

Wall Street

A fall in the technology sector and declines on the bond market led to widespread losses on US equity markets in early trading yesterday, writes Lisa

At 1 pm the Dow Jones Industrial Average was off 40.10 at 5.157.58 and the Standard & Poor's 500 was 6.80 lower at 611.66. The American Stock Exchange composite fell 3.49 to 542.86. Volume on the NYSE came to 239m shares.

Bonds slid in late morning trading as negative signals began to emerge from the negotiations in Washington over how to balance the federal budget. By early afternoon the benchmark 30-year Treasury was off 13 at 111, yielding 6.065 per cent.

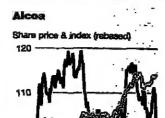
Meanwhile, reports that a prominent analyst at Sound-View Financial Group had downgraded several semiconductor companies, including Applied Materials and National Semiconductor, to "sell" hit the technology sector.

There was no immediate confirmation that Mr Richard Whittington had lowered his ratings, but shares in Applied Materials and National Semi-

to \$33% and \$3% or 17 per cent to \$18% respectively.

The Nasdaq Composite, which has a weighting of about

40 per cent in technology companies, slid 24.24 to 1,008.13, bringing the index's decline for the year to more than 4 per cent. The Pacific Stock Exchange technology index



Source: FT Extel

retreated 3 per cent. Elsewhere in the sector, Microsoft, the largest company on the Nasdaq, was off \$4 at \$82%. Intel shed \$1% at \$56%. Dell Computers was \$21/4 lower at \$31% and Adobe Systems lost \$3% at \$38%.

On the Dow. Aluminum conductor fell \$3% or 9 per cent Company of America lost

Monday, having reported weaker than expected fourth quarter earnings. That brought the shares to \$51%.

Williams Sonoma was down \$5 or 27 per cent to \$1314. The specialty retailer said that same-store eight-week sales, that included the Christmas season, rose 6.9 per cent from the same period a year ago.

The company warned that fourth quarter earnings would be about 51 cents a share. Analysts' estimates were closer to 65 to 70 cents a share.

Toronto was pulled lower in midday trade by sharply weaker gold shares, giving up some of their recent advance, and the TSE 300 composite index was down 27.96 by noon at 4,827.40 in heavy volume of 56.9m shares.

Among actively traded issues, Barrick Gold relinquished C\$1/4 at C\$38%. Diamond Fields Resources

rose C\$% to C\$28% on news that its Voisey Bay project could provide more nickel than was first indicated. The penny stock Arequipa

Resources added to recent gains with a jump of 85 cents to C\$4.80 in hefty turnover.

Frankfurt peaks after broker's upgrade

Germany yesterday, and cut both UK and Swiss equities to underweight.

Hoisting Germany to 16 per cent of a model European equity portfolio against a benchmark of 13.9 per cent, Mr Markus Rösgen, a Morgan strategist, said that the dollar could rise to DM1.70 by the end of this year, indicating a 1996 average of between DM1.50 and DM1.60 against the recent

DML44 to DML45. Mr Rösgen added that this would be good for German export prices and margins, and for the cyclical stocks which dominated the German cornorate economy. FRANKFURT responded, the Ibis-indicated Dax index closing 14.71 higher at an all-time peak of 2.351.47. and turnover soaring from DM6.4bn to DM10.3bn.

Cyclicals and dollar stocks

took pride of place, Continental, the tyremaker, adding 80 pigs or 3.85 per cent at DM2L60, SAP prefs DM4.90 at DM232.10 and the big three chemicals all rising by more than a percentage point. Mr Rösgen also expected fur-

ther cuts in key German interest rates, especially after yesterday's rise in the German unemployment figures, but this was clearly not the story of the day, most financials

underperformed.

ZURICH finished above the day's lows as the market continued to encounter foreign profit-taking after its recent upward run. The SMI index finished 6.6 lower at 3,361.5.

Sandoz, a sharp outperformer over the last year, gave up SFr24 to SFr1,054. Mr Mark Tracey at Goldman Sachs downgraded the stock to market performer, based on valuation and performance grounds. and also against the expected background of slightly more cautious investor sentiment towards the sector as a whole.

UBS picked up another SFr14 to SFr1.315 with Mr Martin Ebner's B2 bank reported to be switching out of SBC, down SFr5 to SFr467, to accumulate votes in UBS ahead of this vear's agm. Analysts also noted that BZ had issued an aggressively priced warrant on the UBS stock yesterday.

Among firm cyclicals. BBC was up SFT20 at SFT1,391 and AMSTERDAM settled back as some profits were booked. The AEX index eased 2.72 to 500.89, after striking a new all-time high of 505.73 earlier in

the session. However, most dealers reckoned that the decline was only temporary as the fundamental picture remained unchanged.

play panels: Mitsubishi Elec-

tric, which upgraded a profits

In Osaka, the OSE average

forecast, rose Y10 to Y795.

FT-SE Actuaries Share Indices Open 10 30 11 00 12 00 13 00 FT-SE Eurotrack 100 1528-94 1529-68 1527-65 1526-75 1525-78 1526-88 1527-17 1527-11 FT-SE Eurotrack 200 1615.50 1616-81 1614-23 1612-91 1611.50 1614-88 1613-71 1610-51 Jan 3 1535 57 1534.22 1637 71 1630 UB

Akzo lost Fl 4.30 to Fl 184.20, as the chemicals company warned that last year's strong first half performance was unlikely to be sustained in the second half.

PARIS ended little changed after fluctuating between positive and negative territory throughout the day. The CAC-40 index lost 0.27 to 1.916.29 in turnover of FFr3.8bn.

Eurotunnel came off 25 cen times or 3.9 per cent to FFr6.20 as rumours resurfaced that the company was facing severe debt-servicing problems.

Banks with exposure to the operator fell in sympathy: Suez fell FFr6.60 to FFr196.50, BNP FFr7.80 to FFr212 and Paribas FFr6.50 to FFr271.50.

Rhone-Poulenc dropped FFr6.20 to FFr100.80 after reporting that 1995 results would come in below forecasts. MILAN was unable to hold on to its best levels during a

day of fast-moving political theatre, awaiting a statement from the prime minister at the start of the debate on the future of his technocrat government. The Comit index rose 6.16 to 593.56 while the realtime Mibtel index finished 10 ahead at 9,445 after a high of 9,502. Eni put in another strong

performance, adding L93 to

L5.680. Ms Wendy Anderson at

CS First Boston, who initiated

coverage of the stock on Monday with a strong buy recommendation, said that Eni offered above sector average growth, earnings and volume

MADRID managed to lift Repsol another Pta35 to Pta-1.075 but utilities and construction stocks were weak late in the day and the general index lost 0.58 at 327.24.

In the aftermath of last year's US technology stocks boom, anticipation of the Motorola results, due after New

night, moved Ericsson and Nokia in different directions. Ericsson Bs rose SKr1 to SKrus.50 in STOCKHOLM, but profit-taking sent Astra, the drugs company, SKr5 down to SKr274 and forestries dropped 2.6 per cent as the Affarsvariden General index closed 9.6 lower at 1,743.0. In HEL. SINKI, Nokia A were described as queasy as they fell FM2.80 to FM153.20, helping the Hex index lose 7.23 at 1,686.19,

Syria 6

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York stock market hours last

BUDAPEST finally broke seven session rising trend as profits were taken in blue chips. The BUX index lost 33.39 to 1,745.71 as turnover fell to WARSAW, however, was in

no mood to take profits, which some brokers had been forecasting, and put in its sixth successive rise. The Wig index leapt 327.1 or 3.9 per cent to 8.811.5 as turnover rose by 32 per cent to 137m zlotys. PRAGUE also continued in

optimistic mood, extending its rally into a third session. The PX50 index jumped 124 or 28 per cent to 450.3.

However, volume drifted back to 982,413 shares in turnover of Kcs929m.

Written and edited by William

the 10 per cent rise of the last

two weeks, and the Straits

Times Industrial index ended

SYDNEY was another casu-

alty of profit-taking in a ses-

sion lacking much in the way

of significant corporate devel-opments. The All Ordinaries

MANILA was worried by

fears of a rise in the inflation

rate owing to rumours that

there would be an increase in

trading in blue chips. The all-

share index rose 2.1 to 6823 in

Gest St.

Mass files

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turnover of SLRs135.4m.

index slipped 12.1 to 2,262.8.

12.27 lower at 2,373.60.

Mexico City loses early gains

Mexico opened higher before settling back, and dealers said the market was expected to drift gress. The Bovespa index shed 906.97 to 46,503. ahead of the December inflation data. The IPC index was off 23.61 at 2,978.49 by midsession.

Dealers said continuing strength in the peso could allow further cuts in interest rates. Technical analysts said the index was still targeting the 3.100 level in the short run. SAO PAULO had lost 2 per cent by early

On Monday congress returned from a summer recess to debate the government's main constitutional reforms, including administrative and social security reform projects. The special sessions will last until February 15.

A trader said congress was facing a heavy schedule and investors were likely to wait to see

afternoon and brokers said the market was how the reforms would make progress.

Shares ended an active day with mixed performances as gold issues were dampened by a weaker bullion price and industrials saw some late

were confident that the bul- during 1996, with the overall

France (100)

Belgium (34) Brazil (26)

Morco (18).

(ئىك) Singapore

lion price could soon breach the \$400 an ounce mark

The overall index put on 25.2 at 6,628.9, industrials rose 10.7 to 8.312.1 and the golds index lost 0.9 at 1,571.8, Golds were steady in the . South African equities morning because investors could see substantial gains

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Sterling Index

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231.18 204.32 295.02 171.87 183.39 246.93 184.61 276.80 184.71 202.03

S Africa higher after mixed trading cent, said an economist at BOE NatWest Securities. Reuter reports from Johannesburg. Mr Nick Barnardt said that the outlook was being helped by a combination of higher economic growth with lower inflation and interest rates.

41.25 28.94 2.27 30.83 57.57 40.44 17.33 5.41 61.10 90.39 74.78

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Technical buying at the end of trading erased earlier losses on domestic institutional profittaking, and the Nikkei average closed moderately higher, writes Emiko Terazono in

at 20,652.08 after moving between 20,454.16 and 20,652.58. Foreign investors remained buyers but the number of orders declined. Meanwhile, commercial banks and life insurance companies took profits, but a rally in the futures market prompted arbitrage buying just before the close. Volume totalled 550m shares,

against 521m. Individuals and brokerage dealers focused on speculative stocks as the Topix first section index rose 1.41 to 1,622.83; the capital weighted Nikkei 300 slipped 0.60 to 304.75. Advances outnumbered declines by 674 to 412, with 131 issues unchanged. In London the ISE/Nikkei 50

index eased 0.61 to 1,436.94. Traders said selling by insti-tutions, especially banks looking to write off their bad loans this fiscal year, was likely to increase above the 20,500 level. According to Nomura Research Institute, unrealised profits on stock holdings at the 21 leading banks totalled about Y19,000bn at the beginning of 1996, some

Y7,000bn higher than that of September 31 last year. Railway and bus stocks posted the largest sector gain, led by Keisei Electric Rallway, which rose Y55 to Y993 and was the most active issue of the day; Oriental Land, its subsidiary which runs Tokyo Disneyland, plans to go public. A rise in crude oil prices

lifted oil refiners. Showa Shell Mitsubishi Oil Y15 to Y940. Among speculative stocks, Hanwa, the steel trader, rose Y24 to Y449 and Toho Zinc by Y33 to Y849. High-technology stocks were

mixed. Matsushita Electric Industrial gained Y20 to Y1,760 on reports of its acquisition of a US manufacturer of flat dis-

ASIA PACIFIC Nikkei edges ahead as Seoul advances 1.8%

Tokyo

rose 70.97 to 22,133.52 in vol-Roundup President Kim Young-sam's The 225 index closed 88.50 up

new year address helped to clear up some of the current political uncertainty in SEOUL, and equities jumped 1.8 per cent as expectation of government measures to boost the market added to the upbeat mood.

The composite index rose 15.18 to 881.99. Brokers noted that an accident at a Rhône-Poulenc factory in France on December 27 prompted expectations of higher sales by

Korean chemicals companies. Oriental Chemical rose Won1.300 to Won23.600 and Korea Fine Chemical by Won1,100 to Won19,600.

TAIPEI remained uncertain about market implications of the proposed reintroduction of capital gains tax. Parliament decided yesterday to postpone a review of capital gains tax until Friday, and the weighted index eased 22.87 to 4,911.99. HONG KONG finished weaker but off lows in dimin-

ished volume, with a number of rumours of impending cash calls making for hesitant trade. The Hang Seng index was off 39.47 at 10,427.20, after a day's low of 10,386.54, in turnover

that slid to HK\$5bn. Hopewell jumped 17.5 cents to HK\$4.535 as the company

refused to confirm speculation that it planned a rights issue in which shareholders could subscribe for one share in its Consolidated Electric Power Asia, at a price of HK\$10 to HK\$12 for every 10 Hopewell shares beld. CEPA lost 95 cents to HK\$13.90.

KUALA LUMPUR edged lower as institutions continued to lock in profits from blue chip shares and speculative issues remained at the centre of attention.

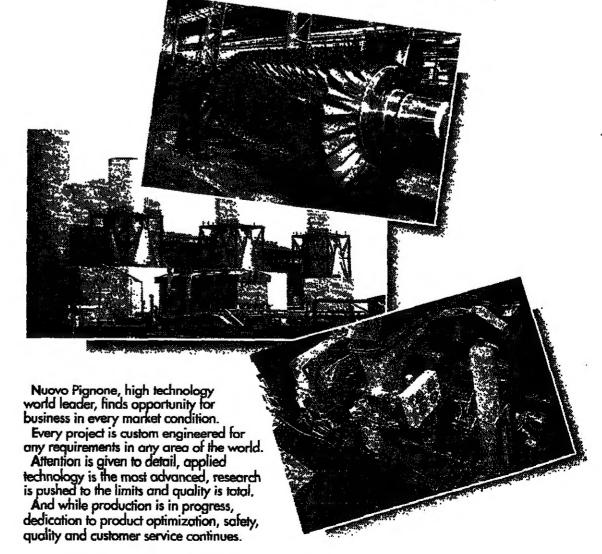
The composite index ended 3.79 lower at 1,050.75 in volume that picked up to 570.6m shares. MCB Holdings topped the actives with 31.1m shares traded, gaining 10 cents at M\$3.16 on takeover rumours.

SINGAPORE similarly saw

institutional profit-taking after

The composite index shed 13.88 or 0.5 per cent to 2,681.76 in moderate volume of 1.6bn shares worth 1.7bn pesos. COLOMBO saw its highest turnover for several months on

petrol prices.





Nuovo Pignone

Main products:

Reciprocating compressors

Centrifugal and axial

compressors Gas and steam turbines Centrifugal pumps

 Air coolers Control and safety valves

Complete industrial plants Modular stations for NGV

Heat exchangers



251.57

.279.16

North America (736)...... 245.46

